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SEPTEMBER 2021

# One Bar Ahead™

BY KEITH FITZ-GERALD

## 2.0: This company is about to reinvent itself

...and you don't want to miss what happens next

## Do you OODA?

(Here's why you should!)

## The best BREAKTHROUGH energy portfolio you can buy

## Getting Your ORDERS right can give you an EDGE

**High Performance Over 50**

A medical superstar so valuable that pharaohs were buried with it 3,000 years ago!

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Keith Fitz-Gerald's ONE BAR AHEAD™

# Letter from Keith

## Dear Reader,

I started One Bar Ahead™ with one purpose in mind.

I want to give you the tools you need to succeed and the opportunity to build real wealth.

My goal is to help you make money in today's complicated financial markets, no matter where you are in life, when you started or how you're finishing.

Especially now.

Fall is traditionally a time of great resets … the markets reset after traders come back from summer vacation … the big money resets in a time-honoured tradition called "window" dressing intended to improve performance ahead of critical year-end reports … and individual investors reset because they suffer from FOMO.

This year, the Fed wants in on the action.

Everybody knows that rate hikes are ultimately a recipe for disaster but, like an addict seeking a quick fix, the lure of easy money is irresistible. So, the markets continue to chase prices higher.

It's an epic opportunity for savvy investors!

I don't blame people one bit for dismissing that thought or just being downright skeptical; I run into that a lot.

Folks have argued with me for years that big, profitable, and powerful companies cannot possibly become even bigger, more profitable and powerful. Yet, that's exactly what is happening.

The combined market capitalization of the world's top 50 companies represented just 6% of global GDP in 1990. Today that figure stands at 28%, a 367% increase.

The "best" companies have done considerably better which is, of course, why we want to own 'em.

Apple, for instance, has risen from a dividend and split adjusted price of just $0.24 per share in 1990 to $152.89 as I type, a 63,604.20% return.

Microsoft has risen from a dividend and split adjusted price of just $0.41 per share in 1990 to $303.66 as we go to press, a jaw dropping 73,963.40% return.

That's enough to turn every $1,000 invested in Apple into $637,042 and every $1,000 invested in Microsoft into $740,634.

Entirely new trends like DaaS, which we profiled last month, will continue to power the world forward and prices to unimaginable new heights over time. Volatility will be our constant travelling companion but that's entirely normal.

It makes sense to embrace the future rather than fear a return to the past under the circumstances.

The real challenge for most investors is risks they can control rather than the stuff they can't. It's counter-intuitive which is why so many struggle when the path is otherwise exceptionally clear.

Is it better to wait until after "we know" what the Fed does to invest? Should we buy XYZ after a correction or ahead of earnings? What happens if the current administration ruins this country? What if the dollar crashes? Do I jump in now to catch up? Should I buy gold?

I get emails asking questions like these all the time and you're not alone if you're wondering.

Social scientists say this is because we'd rather have an answer than be left with questions, even if it's the wrong answer. We assume that anything happening right now is likely to continue far into the future. We tend to give more mental weight to new information than to information we've known for a while.

The reality is that many investors screw up despite having the best intentions because they get side-tracked by all the things that can knock them off kilter rather than focusing on what it takes to remain on target, on track, and on pace.

The news cycle, social media and market shenanigans all encourage short-term decision paralysis. Your brain simply gets flooded with information that prevents you from building real, sustainable long-term wealth.

The path forward is actually very simple:

1. Figure out where you and your money want to go.
2. Then chart a course that gets you there … first.
3. Control risk at all times, not just when it's convenient.

The reason most people fear the unknown is because they have no idea where they're going. They're unprepared.

Fortunately, this is a totally fixable problem requiring nothing more than a steno pad or even a simple 3×5 index card. Heck, even stickies will do it!

I am a huge proponent of writing your goals (and investing objectives) down in as much specificity as you can.

It's not enough to say you want to be "rich" or "make money in the markets." You've got to dive into the details that count using specific objectives and milestones if you really want to make your dreams happen.

Every data point has a place if you have a destination!

A widely referenced Harvard Business study conducted in 1979 found that 84% of graduating MBAs that year had no specific goals at all. Another 13% had goals but had not committed them to paper. Just 3% had clear written goals with specific steps needed to achieve them.

You can probably imagine what happened when interviewers circled back a decade later.

The 13% with goals were reportedly earning 2X the money that the 84% with no goals did. But here's the kicker … the 3% who had clearly defined written goals and an action plan were apparently earning 10X the other 97% put together!

I have been writing down my goals for decades and the mental clarity that's helped me achieve is simply staggering. What's more, I get better and better at it every year as my focus improves.

Consistency is key.

Every hour you spend thinking about where you want to go in life makes it that much more likely to happen in the financial markets. Everything you write down can turn into action, into success and, over time, into real sustainable wealth.

This month we're going to start with a recommendation that could very well help "future-proof" your portfolio. It's a household name people have historically associated with growth at any price, but which is now on the cusp of becoming what could be one of the single-largest cash cows of all time.

Then we'll move on to an old-school energy producer that's just begging to be bought. It has one of the strongest breakthrough clean energy portfolios out there. And, not for nothing, a 30-year long history of dividend increases that could help it be a star performer if there are bearish markets ahead.

I am also super excited to share an incredibly special article on why thinking like a naval aviator can make you a better investor. The primary take away is a new decision-making framework – and a little awe. It's hard to feel otherwise when you read what my interviewees had to say about life in the skies and applying the model they use to more terrestrial pursuits like your money.

We're also going to break down something many investors struggle with … getting their orders "right." Anybody can pick stocks but knowing what orders to use, how and when can play a significant role in boosting your profit potential over time.

And finally, the connection between health and wealth is far more real than most are prepared to accept especially when it comes to ancient remedies that modern science is only beginning to understand.

As always, thanks for reading – and for being part of the One Bar Ahead™ Family!

Best regards for health and wealth,

KF

PS: If you have any thoughts to share on this issue or suggestions as to what you'd like to see as we charge ahead into 2022, please drop me an email. My team and I love your feedback, suggestions, advice and read every note we receive. So please, don't hesitate to reach out to **magazine@onebarahead.com** and let us know what's on your mind!

# AMAZON 2.0

If you missed Amazon the first time around, you're in luck!

# AMAZON 2.0 IS COMING

## If you missed Amazon the first time around...

You're in luck.

You've got another shot with a brand-new CEO.

I call it Amazon 2.0., and even bigger gains are possible than they were under founder Jeff Bezos.

Tall statement, I know.

Amazon is one of the world's greatest success stories. The company almost singlehandedly ushered in the online shopping revolution. It's turned membership into a lifestyle and all but created the concept of cloud computing and online advertising. Even voice assistants!

If you were bold enough to buy shares back in May 15, 1997 when Amazon went public and have held on, chances are you're an "Amazonillionaire." Every $1,000 invested then is worth an astounding $1,783,840 today.

Now, Amazon's going to reinvent itself.

Founding CEO Jeff Bezos is well known for placing a premium on valuing long-term growth over short-term profits. For years, he's discounted Wall Street reaction to anything even remotely negative saying "it's all about the long term" or something similar.

It's a formula that's worked well until relatively recently.

Share prices have been flat to down through much of 2021. Once enthusiastic analysts are increasingly and openly questioning whether Amazon can catch up.

Changing leadership seems downright crazy at a time when sales have slowed from a ginormous pandemic boost, when there's huge executive realignment, and a rash of departures which insiders reportedly refer to as a "brain drain."


*"It's transitory" - famous last words*

Factor in increasing workplace scrutiny, a rash of lawsuits alleging bias and what various reports suggest is an aggressive male-oriented environment and you wouldn't be alone in thinking the company's seen better days.

Then there's the competition. More than 100 Amazon delivery companies are banding together to form an entirely new kind of challenge to Amazon itself and to stalwart players like UPS and FedEx.

I've been involved in global markets for 40 years at this point. If there's one thing I've learned above all else it's that great companies do even greater things when the pressure is on.

Crisis, no matter how you define it, presents choice and opportunity.

## Buying now could be perfect

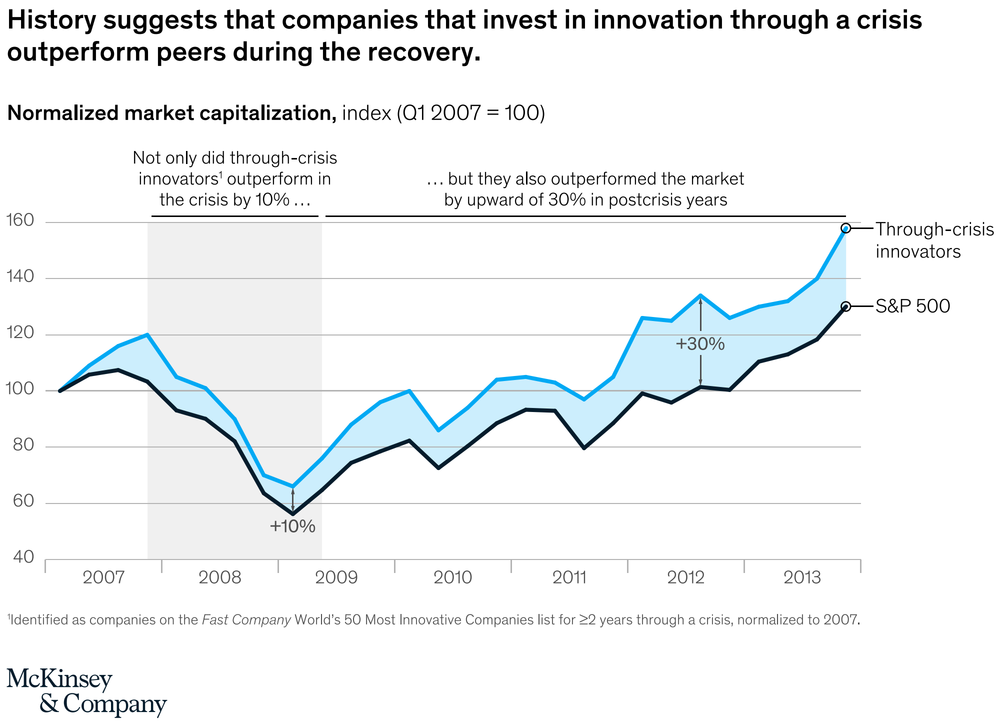
More than 90% of executives recently surveyed by McKinsey & Co believe that Covid-19 will fundamentally change the way they do business over the next 5 years. Two thirds believe it is also the single most challenging moment in their executive career.

I couldn't agree more strongly.

History shows very clearly that companies that reinvent themselves during times of crisis not only remain competitive but build the needed foundation for post-crisis growth.

What's more, they tend to outperform during recovery.

# AMAZON 2.0 IS COMING




Many investors simply can't think that far ahead but I believe that's exactly why we should.

Newly seated CEO Andy Jassy isn't a newcomer, nor is he an external power player brought in to transition the company which is often what happens when a founder steps aside.

Instead, Jassy is a well-versed insider who is described as having a soft-spoken leadership style and an incredible attention to detail.

Not many people know this, but Jassy was actually Jeff Bezos' "shadow" in the early 2000s.

This is especially important because a shadow is an Amazon-specific role which means that Jassy was copied on every email, recapped each day and planned for the following. He effectively acted as a brain double for Bezos which means he has unparalleled insight into how to take the company forward and what's needed to do so.

Case in point, Amazon's B2B business unit may be on track to become an $80 billion marketplace. Fresh, Amazon's grocery store chain is dangerously close to conventional grocers which means that they could be the next industry to fall prey to Amazon's expansion.

*Amazon recently purchased Selz, a Shopify competitor for an undisclosed sum*

What's more, Amazon purchased a small e-commerce start-up called Selz which makes me wonder if Shopify better mind its p's and q's. The company is also making inroads in personal robotics and reportedly has more than 800 people assigned with making that a reality. Looks like Alexa may get a "body" after all.

There's also huge interest and considerable effort being put into drone development as well as a new at-home medical testing unit that can test for Covid-19, various sexually transmitted diseases and even reportedly clinical genomics.

**That's not even the best part, though.**

I think Jassy is going to usher in an entirely new set of developments in personal finance and medical insurance that will pressure conventional drug suppliers, health care insurance companies, and banking relationships.

I believe Amazon will transition into a "mature" company on Jassy's watch. And, in doing so, become one of the biggest cash cows in recorded history.

**Consider:**

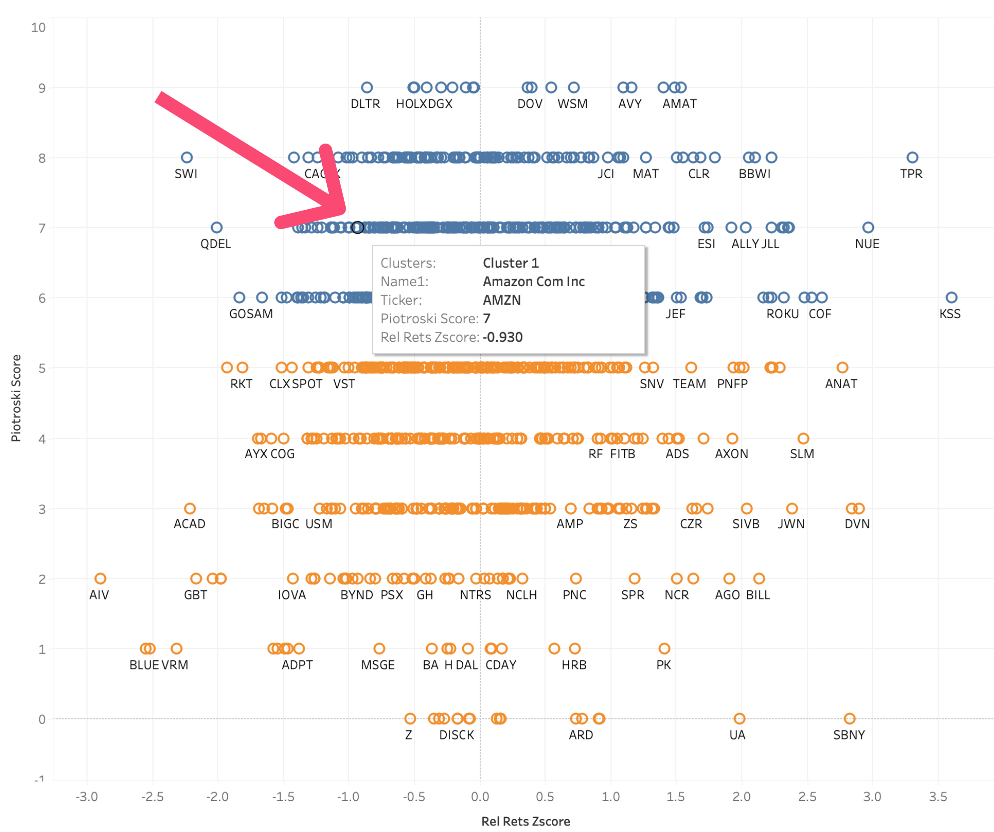
- AWS revenue is growing at 37% per quarter
- Advertising revenue is growing at 87% YoY
- 28.3% forecasted annual earnings growth
- Hiring hundreds of thousands of employees
- Gross margin in the 40% range
- Cloud market share has stayed in 32-34% range
- YoY net sales growth is 40%.

# AMAZON 2.0 IS COMING

Here's what the proprietary One Bar Ahead™ analytics suite says about Amazon.

## The Universe

Amazon is smack dab in the middle of the upper left quadrant. This is fertile hunting ground when it comes to finding the best companies trading at undervalued prices. Over time, our research shows that it will track higher and to the right if everything goes as expected.




## The Fundamentals

Amazon is in solid financial shape and the company's Piotroski Score reflects that. It's a healthy 7 of 9 possible points as I type.

Interestingly, you'll note that there is considerable volatility in the Piotroski Score. That's not a challenge but does point out the impact of retail related seasonal inputs. It's a sign of strength, not weakness as would normally be the case. I expect this to "flatten out" over time as Jassy's influence grows much the same way Apple's did when Tim Cook took over for the late Steve Jobs.

Amazon's beta – a key measure of volatility in relation to the broader markets - is 1.14 which means it's just slightly more volatile than the broader markets.

Our research shows that this will help capture more profit potential while also offering a modicum of stability when the Fed ultimately changes course and raises rates. I expect the beta to fall because of the "Jassy effect" as well.


## The Master Market Indicator™ (MMI)

The MMI presently reflects a strong but medium range reading which is much the same situation we had on our hands with MSFT, COST and MCD earlier this year.

However, it was perfectly positioned on Monday, August 23rd which is why I issued special instructions that day to buy shares as part of the weekly update rather than waiting for this issue. Shares have already jumped 7.6% as I type.

If you didn't buy in then, you're not too late.

The MMI makes me think that we won't have long to wait until Amazon's share prices take out the 52-week high of $3,773.08 set in July. That's roughly another 7% to the upside if it happens.

My target is $3,850 a share within the next 12 months.

## Action to take

**Buy Amazon (AMZN) for $3,500 a share or less.** Tuck shares away in the Global Growth and Income segment of your portfolio. Implement a trailing stop that's 25% below your initial purchase price or a tighter stop of $3,079.96 if that makes you more comfortable based on your risk tolerance, investment objectives and personal situation. Plan on adding shares if there's a dip or using Dollar Cost Averaging to accomplish the same thing over time.

Fractional shares or even a single share works, too.

**If you'd like to make a more aggressive bet, consider buying the 17 Jun 2022 $3400 call option** which is trading at $395.00 as I type. Set and track a trailing stop as if you'd purchased the stock. Options are typically more volatile than stock prices so you don't want to get sucked into a premature exit by tracking options prices instead of the stock itself.


*Amazon stock is expensive, so use tactics to limit your risk "going in."*

A special note ... Amazon is an expensive stock.

Consider buying just a share or two or purchasing fractional shares as an alternative.

The last thing you want to do is take on more risk than you'd otherwise have with a less expensive stock.

Further, do not follow along with the recommended options trade if you are uncomfortable with the prospect of a loss that could be greater than other options on less expensive stocks that you may be familiar with.

My expectations are for higher prices ahead but the markets often have other ideas which is why I recommend a little extra caution and limiting risk by keeping position sizes small.

If you have any questions about how to take action on stocks like Amazon, that's what the Friday AMAs are for!

Shoot me an email:

askkeith@onebarahead.com

Chapter 2

# GO BEYOND DINOSAUR JUICE

With the best alternative energy portfolio in the oil business

# GO BEYOND DINOSAUR JUICE

My friend Rob is straight-forward.

"Why on earth would I buy a traditional energy company at this point; they're eventually going to be as extinct as the oil they've made for 100+ years," he's told me on more than one occasion.

But he recently asked me about Chevron (CVX) …

**"I think Chevron has one of the most aggressive and potentially lucrative alternative energy portfolios out there,"** I answered.

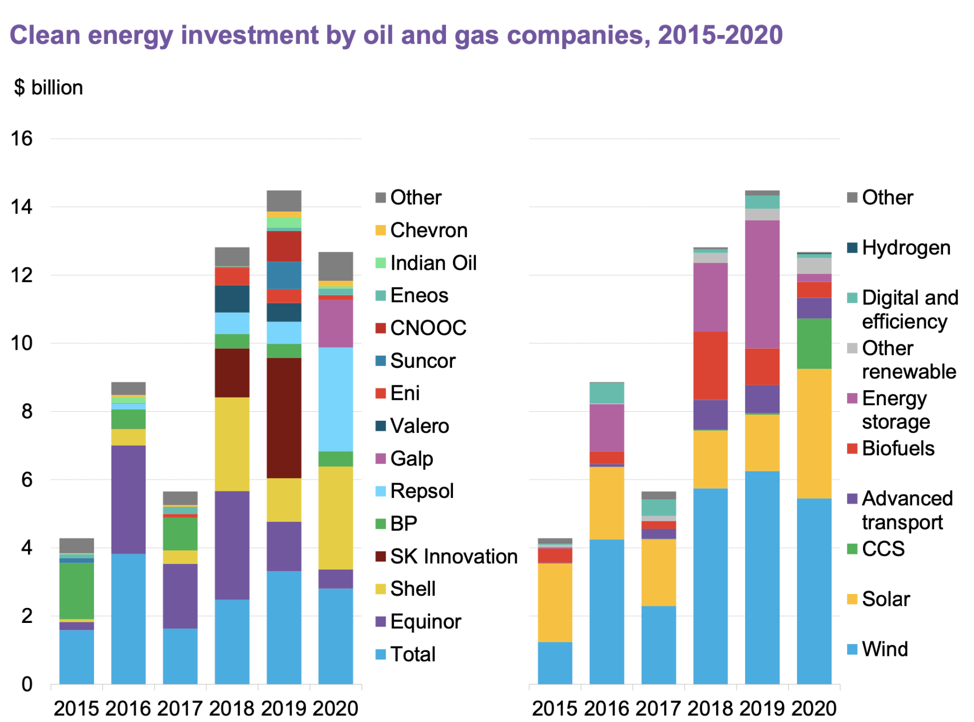
The stock is just begging to be bought.

People are piling into alternative energy plays because the powers that be want 'em to and the media finds the story worth telling.

But the real money is going to be made by major oil producers keen to remain relevant … to *survive*.

Big oil has invested $60 billion in renewables, storage, advanced transport, digital technologies, hydrogen, and more over the past five years. That's roughly 6% of the total $200 billion in capital expenditures or so according to various data sources.

However, the truth is rarely what it seems - especially lately.




*Source: BlooombergNEF, company disclosures. Note: analysis includes all completed deals, and estimated values for undisclosed deals. CCS data excludes non-commercial projects that have not disclosed investment values. Asset finance data may overstate investment by each company where project equity shares have not been disclosed.*

*Big oil will be one of the biggest alternative energy investors for one simple reason... survival*

All the major players are in on the action including Total, BP, Royal Dutch Shell, Exxon and CNOOC just to name a few.

But it's Chevron (CVX) that really has my attention.

People think they understand the company as a big, old, traditional oil company and that's where their thinking stops.

They can't see "big" enough.

Many investors are surprised to learn that Chevron has actually been investing in alternative energy since 1999. That's when it launched the Core Venture Fund with the specific goal of enhancing operations, digitalization and developing lower-carbon operations.

In 2018, Chevron launched a $100 million Future Energy Fund to invest in what it calls "breakthrough technology" using a defined framework that includes industrial decarbonization, emerging mobility, energy decentralization and the circular carbon economy.

This is where things began to change for me and when the company really got on my radar.

Some of the fund's investments include names you may recognize.

**Examples include:**

**Blue Planet Systems Corporation** which makes technologies, products and services related to carbon capture and mineralization. The company is focused on beneficial reuse, specifically as an aggregate for concrete.

**ChargePoint, Inc.** is an EV charging network with solutions spanning home, work and in transit locations. The firm has already delivered more than 85 million charging sessions as of January 2021, a figure that may well top 100 million as I type. It operates in North America and Europe.

**Mainspring Energy, Inc.** is developing a linear generator using two independent piston cores that can operate simultaneously or independently to provide hi-efficiency load-based power continuously.

**Zap Energy, Inc.,** a company I mentioned recently, is developing a compact, low-cost fusion reactor that potentially overcomes currently known limitations in the field. Notably, Zap recently generated its first neutrons, a key precursor to thermonuclear fusion.

My family and I are invested alongside Chevron on this one because I believe so strongly in what they're doing.

## Investing in Chevron right now is a matter of playing the odds

The company's alternative investments portfolio is after transformational technology rather than just incremental improvements. Even just one "hit" could move the proverbial needle!

Conventionally speaking, Chevron's a classic value stock with a high dividend which makes it especially viable and potentially a star performer under bearish market conditions. Demand will drop but, if my read on the situation is correct, just not a lot for the simple reason that many people won't stand for another lockdown.

*Chevron's business is safe for now, as much of the world's consumption is picking up*

Execs expect net production growth from just over 3 million barrels / day in 2020 adjusted to more than 3.5 million barrels / day in 2025. The cash margin is roughly $18 a barrel which means that there should be gobs of free cash flow on offer.

Chevron has a global footprint and, critically, is 80% of the way through the $50 billion Tengiz Oil Expansion, a huge undertaking in Kazakhstan.

The size of this project is tough to imagine and even tougher to describe.

The Tengiz Field oil column is more than 1 mile across and has a surface area four times larger than Paris, France!

It is presently the single deepest producing "supergiant" oil field known and the largest single-trap producing reservoir in existence.

Chevron's also got a 5.7% dividend on offer, yet trades below pre-pandemic prices even though oil itself is priced higher!

This makes it a great choice for yield-starved investors under the circumstances.

It may even be naturally inflation resistant, too!

# GO BEYOND DINOSAUR JUICE

## Consider...

- Q2 cash flow is near 2018 levels due to lower capital and operating costs
- Dividend has increased 4%
- Paid down $2.5 billion of debt
- Oil production is up 5% YoY
- More than $50 billion in share repurchases, averaging roughly $87 per share over the past 17 years
- Trading below pre-pandemic levels even though oil is priced higher

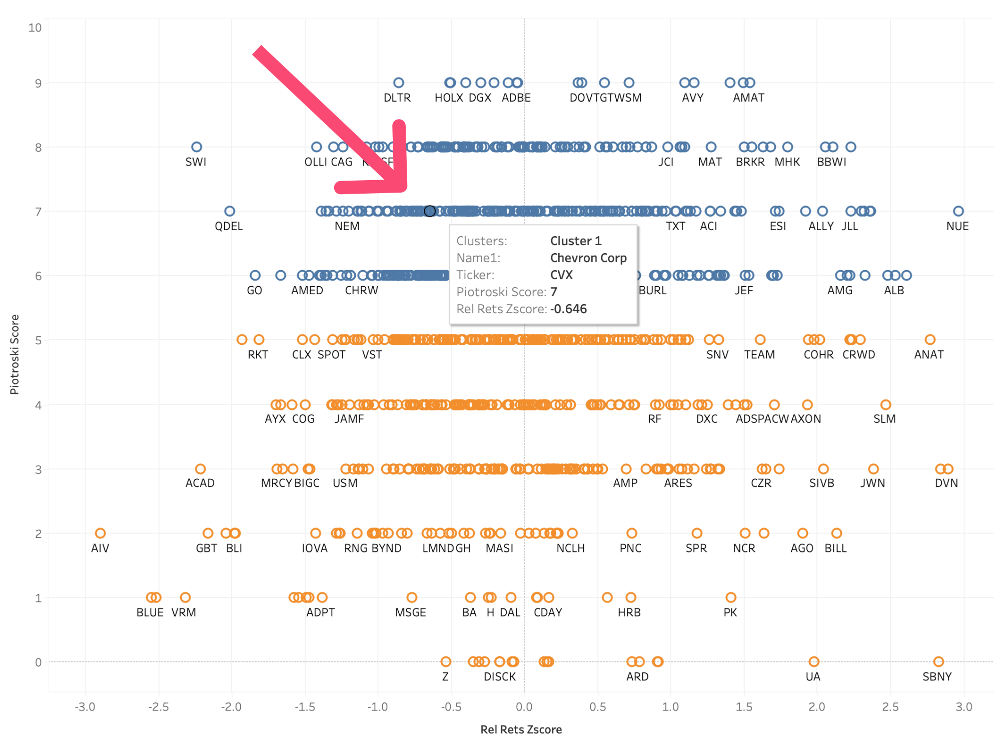
Here's what the proprietary One Bar Ahead™ analytics suite says about Chevron.

## The Universe

Like Amazon, Chevron is "high and to the left" in the Value Spectrum which suggests it's both undervalued and has yet to accelerate.

Perfect!

Over time, Chevron will track up and to the right as the market begins to recognize what we see today and money comes flowing to shares if things go as expected.




## The Fundamentals

Chevron's Piotroski score is 7 of 9 possible points which suggests a very healthy set of underlying fundamentals. I am particularly pleased to see the Piotroski Score improving recently because that reflects increasingly stronger underlying information.

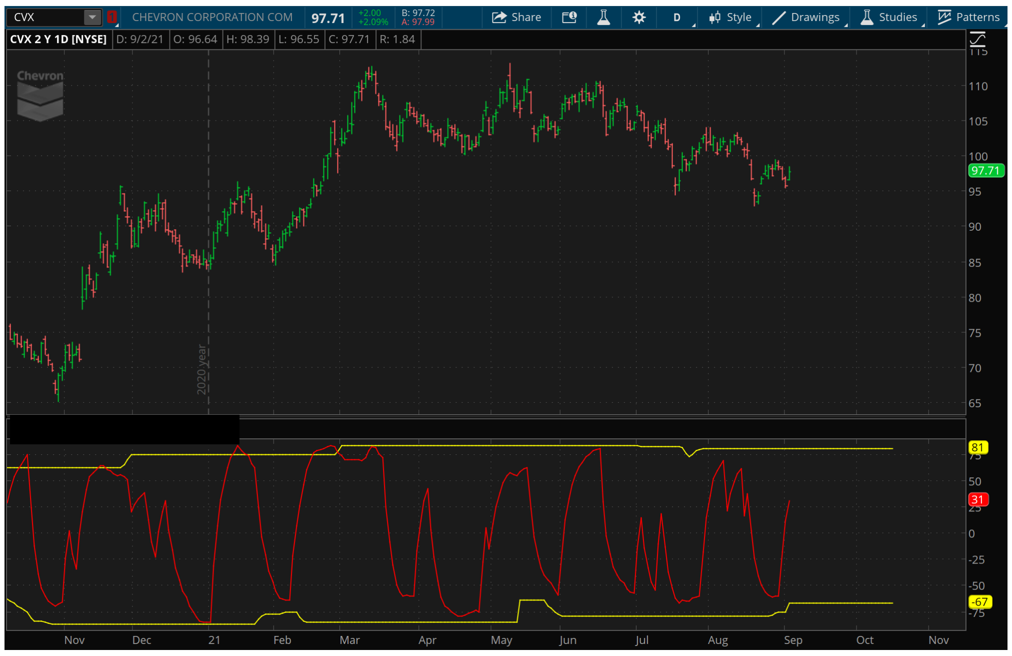
Covid has, of course, played a huge role in knocking Chevron down. Still is but, again, these numbers suggest the company is quite literally coming back to life as the world reopens.


## The Master Market Indicator™ (MMI)

Technically speaking, the stock is under pressure.

You can see that in the way price has drifted lower since early March. Normally, I wouldn't be keen to catch a falling knife, but in this case, I am willing to take the risk.

The MMI has recently touched the lower yellow threshold and turned higher. This tells us price is working through the volatility skew that anybody using conventional indicators sees.




Admittedly, nothing is perfect.

We want to guard as best we can against unforeseen market volatility yet maximize the profit potential that is clearly building!

That's why I recommend adjusting our entry to control risk "on the way in."

## Action to take

Buy Chevron (CVX) for $99 a share or less. Tuck shares away in the Global Growth and Income segment of your portfolio. Implement a trailing stop that's 25% below your initial purchase price or a tighter stop of $89.70 if that matches your personal situation, risk tolerance, and objectives. Plan to add shares if there's a deeper dip or using Dollar Cost Averaging over time. I am particularly interested in the dividends on offer so it's important we take a longer term view.

If you're keen to make a more aggressive bet, consider buying the 20 JAN 2023 $95 call option which is trading at $11.20 as I type. Set and track a trailing stop as if you'd purchased the stock.

Options are typically more volatile than stock prices, so you don't want to get sucked into a premature exit by tracking options prices instead of the stock itself.

And finally, consider Selling Cash-Secured Puts if you'd like to go shopping for shares at even lower prices than where Chevron trades today.

I suggest the 15 OCT 2021 $90 put options. They're trading at $0.90 as I type. As always, set aside the cash needed to purchase 100 shares for every put option you sell.

See the February issue for more details on this strategy and a few "secrets" I've picked up along the way that could help.

*Investing in a big oil company for their alternative energy. Who could've guessed?*

Chapter 3

# DO YOU OODA?

Thinking like a U.S. Naval Aviator
can make you a better investor

# OODA: THINKING LIKE A NAVAL AVIATOR

## "Those who can handle the quickest rate of change survive."

You wouldn't be alone if you're thinking that's a maxim from one of the world's greatest investors. But that honour actually belongs to Air Force Colonel John "40 second" Boyd, a "callsign" he earned because that's all the time it usually took him to dispatch his opponents in one of the most challenging and potentially lethal environments there is – aerial dogfighting.

Colonel Boyd distilled his approach to winning down to something he called the "OODA Loop" (pronounced ooh-dah) during the latter half of the 20th century. Not one in 100,000 investors has heard of it but they'd be wise to learn.

The U.S. Navy teaches a fifth-generation version to every naval aviator because the OODA Loop helps our pilots turn the world around them into a conscious, information-driven strategy that goes far beyond simply being prepared. It is at once a framework for high-speed decision making and a foundation for action that favours agility over raw power.

Why am I telling you all this?

Simple.

Individual investors don't lose because they pick bad stocks. They lose because they pick battles they can't win, because they fail to properly understand what's happening in the markets, and because they remain trapped in rigid systems and thinking.

*OODA is a framework for high-speed decision making and action in unpredictable situations*

## OODA is the science of human action

It can be used strategically or tactically for everything from crossing the street to figuring out which trails to hike. Even what's for dinner. But I think it's especially effective when it comes to unlocking Wall Street.

Many people instinctively "OODA" without realizing it but understanding the OODA Loop consciously can allow you to leverage the brain's natural operation and gain an advantage over those who don't. In the air, that's the opposition. In the markets that's other investors, traders, dark pools, headlines and more.

I've been using OODA for years and it's made a huge difference with regard to how I approach my life and my investing.

That's why I want to share it with you.

Today's financial markets are every bit as challenging as aerial combat. You need every edge you can find at your disposal, especially now with a "taper tantrum" on the horizon, an increasingly complicated geopolitical situation at hand and arguably a lack of adult supervision inside the Beltway.

## Aerial combat is a lot like investing

Success in both – aerial combat and today's financial markets – comes from being able to assess risk, prioritize huge amounts of information, find opportunity, and maintain focus – better, faster, and more quickly than your opponents.

I first learned about the OODA Loop from my great grandfather, Colonel Francis Murphy, who served in WWI and WWII. His service predated Col. Boyd's but that didn't matter much when it came to teaching me what he knew about making winning decisions under exceptionally difficult circumstances.

# OODA: THINKING LIKE A NAVAL AVIATOR

Gramps – that's what we called him - used to say that OODA "is all that stands between you and a smoking hole in the ground" because you forgot to flip a switch, maintain situational awareness, let your emotions get in the way, took something for granted or simply did something stupid like leaving a safety pin in your guns before you took off.

At that point, he'd usually thump me on the chest with his cane to ensure I was paying attention. Gramps was old school that way and, frankly, I loved it.

Our conversations usually went something like this.

"Aerial combat is serious business" ... *thump*. "One aviator goes home after every encounter; one goes into the memory books" he'd counsel. "You've got to constantly manoeuvre for the upper hand in any situation if you want to win" ... *thump*, *thump*.

Investing is similar. One person wins in every transaction, one loses. It's a zero-sum game, and there is no "maybe" when it comes to figuring out who's who when the closing bell rings.

That's what makes OODA so applicable.

OODA, you see, is a fluid decision-making framework designed for extremely uncertain and unpredictable circumstances. Like a dog fight or the stock markets.

The other thing that's really cool is that OODA is iterative, meaning that you repeat each of the four steps as many times as needed until the "fight" is over. Not rigid.

**Think about what a tremendous advantage this represents.**

The overwhelming majority of folks think about investing as "all or nothing." Many get caught in bad investments, achieve sub-par results, or simply miss out on phenomenally profitable opportunities happening right in front of 'em because they are incapable of making fluid decisions.

*What they have to teach you can make the difference between winning and losing!*

The world's best and most successful money makers, on the other hand, understand that the markets change constantly. Not surprisingly, they adapt ... to market conditions, to headlines, to the Fed, to China, to inflation and more. They "OODA."

Now, I could teach you about the OODA Loop but that'd only go so far. I've always believed it's better and more effective to acquire knowledge the way I did ... directly from the people who live it.

Fortunately, the US Navy agreed and arranged for me to spend a few minutes recently with two of the sharpest young aviators in the fleet today at Naval Air Station Whidbey Island nearby our home: LCDR Austin Worst USN VAQ-209 and LT Kathryn Page USN VAQ-136.

Let's break it down.

## The OODA Loop

The "loop" is just four steps, each of which is intended to move anybody using it through a rapid, and often complex system of decision making while positioning you to win.

And I do mean *anybody*.

# OODA: THINKING LIKE A NAVAL AVIATOR

It doesn't matter if you're just starting out with a small portfolio or have a few decades in the markets and hundreds of millions of dollars at your fingertips, the principles are the same.

I believe, based on my own experience, that using OODA properly can help you create a lifetime of real, sustainable wealth by giving you a framework that can allow you to make consistently better decisions, avoid risk, and maximize opportunity others cannot see.

## Step #1 - Observe.

The OODA Loop starts with an accurate, comprehensive understanding of a given situation. Avoiding surprises is a big part of the process so you've got to learn what information matters and critically, what doesn't. This includes understanding how your intended actions may impact your opponents who, presumably, have their own OODA Loop or decision-making framework.

Maintaining an open mind is critically important. That's because doing so allows you to constantly gain knowledge yet avoid pitfalls that could turn an otherwise winning situation into a losing one.

Admittedly, this isn't always easy.

"Planning is absolutely key," said LT Page. The goal at this stage of the loop is to develop a comprehensive picture of any given situation through observation.

"Many times, we start days ahead of a mission", she noted. "We map out what we're going to do, how we'll execute, contingencies like the weather, fuel, weapons, and more." She added quickly that, "the enemy always has a voice in the fight, so we'll think about that too."

LCDR Worst agreed. "While you're up in the air you're going to see a whole lot of opportunity, so you want to focus on specific aspects that are important to achieving the mission before it starts." You want to be flexible, he said in as many words.

Interestingly, LCDR Worst also noted that the planning process should include identifying what you "want to learn from every flight event." In an instructional environment, that can come down to teaching specific skills but that can also include enemy tactics, aircraft performance capabilities, intelligence and more under combat conditions.

My investing experience certainly matches up.

Many investors spend inordinate amounts of time picking stocks but very little or no time understanding the markets themselves or the tactics needed to win because they haven't taken the time to properly observe.

Take big tech stocks for example.

The mainstream media constantly reports that stocks like Apple and Microsoft are inflation sensitive which is why they sell off hard and fast when rates rise. This makes sense to the uninitiated because people love a good story; and not surprisingly, that's where the thinking usually stops.

The truth of the matter is very different. Big tech stocks are some of the most widely held and most liquid stocks in the world, especially amongst highly leveraged traders up to their eyeballs in debt.


*"You're going to see a whole lot of opportunity so you want to focus on what's important before the mission starts," counselled LCDR Worst.*

The fear of rising rates makes those folks (aka the big money) sell anything and everything they can to avoid a potential margin call … starting with big tech stocks because they're easiest to move in a hurry.

The key point here and the one you want to focus on is that rigid thinkers often get trapped by bad decisions made as a result of improper or incomplete observation. Observant thinkers harness the ensuing chaos because they recognize the opportunity. They've done their homework beforehand.

Which brings me to …

## Step #2 – Orient.

Gramps said that this is the most critical element in the OODA Loop because proper orientation requires awareness of both your position and your opponent's position. Nothing happens in isolation, he'd counsel.

Orientation shapes how you see the world around you, the manner with which you make decisions and the way you act. It's critical to helping see any situation for what it is, not as you wish it was or think it should be.

The temptation to skip over critical details is undeniably huge. Being too comfortable, overestimating your abilities, underestimating your opponents, emotions, equipment, tactics … these are all things that can be self-defeating without the right orientation.

LCDR Worst shared a story from early in his career that makes the point nicely.

"I was a young aviator trying to land on a carrier. I made ten, maybe 11 passes. I flew over the carrier; I saw the bottom of it and even had to get gas (from the airborne tankers) several times. Eventually, the captain told me to go home and try again the next day."

"You can't dwell on things that don't go according to plan," emphasized LCDR Worst. "You only get 10 minutes to throw that back to the burner and make another attempt. You've got to learn to take your licks, reorient then decide how you're going to act again for the future."

"So, I did and landed successfully the very next day. Having a name like "Worst" didn't help the situation as you might imagine," he said with a grin.

LT Page had a similar observation. When you get into situations that are "very real, you're stressed, you're sweating, and you've got to go back to the basics" she counselled. Constantly re-orienting helps because "there is really no room for error. There's only so much you can control."

Again, I found myself nodding my head.

The world's savviest investors and traders understand that the markets change constantly which is why they won't hesitate to adjust their thinking if circumstances dictate doing so would be the best and most profitable course of action. Attention to details is essential.

Warren Buffett, for example, famously avoided tech stocks for years. Then, in 2016 he finally purchased 10 million shares of Apple. Since then, he's added to the position and, as of March this year, has made nearly $100 billion on Apple alone!

# OODA: THINKING LIKE A NAVAL AVIATOR

## Step #3 – Decide.

Every naval aviator must make life or death decisions. Doing so requires rapidly assimilating the information in Steps 1 -2 and forming a decision tree or matrix of probable outcomes.

Civilians often talk in terms of pros and cons, but a naval aviator using the OODA Loop thinks in terms of the constant adjustments needed to make the best decisions that are, in turn, needed to win.

Contrary to conventional wisdom, going with your guts isn't usually part of the process. As much as it makes for great theatre, even Tom Cruise's character Lt. Pete Mitchell learns that the hard way in the 1986 smash hit, Top Gun.

LT Page noted that you're going to fail. "Just don't fail the same way twice; always learn from your mistakes. We're given plenty of opportunities early on in flight school and you're expected to fail for the simple reason that's how you learn. If you don't ever fail, you're not going to learn much."

LCDR Worst voiced a similar opinion but raised an additional and important consideration. "Often times the decision-making process simply needs to be slowed down."


*"If you don't ever fail, you're not going to learn much," says LT Page.*

"You should never make any decision that requires you going all in. You've always got to leave yourself outs and think in terms of probabilities. You always have to make sure that whatever comes at you can't affect you catastrophically." It's an important part of the decision process.

I see this a lot in the financial markets. Many investors inadvertently take on too much risk and pay a terrible price for doing so because they don't make decisions properly for the right reasons.

If something isn't working or an investment doesn't go the way you expect, it's no big deal. You simply go back to Step 1 and start the OODA Loop over!

## Step #4 – Act.

Acting isn't just about picking a course of action and sticking to it like many people think. OODA practitioners – naval aviators and investors alike - view action as a series of hypotheses used to constantly test the world around us.

The more fluid you are in action, the faster you'll adapt and learn what's necessary to produce the best (winning) results. Moreover, the more experience you gain, the more consistent your actions will become.

LCDR Worst observed that this is particularly important when you're learning or just starting out. "The expectation when we're flying is that students will do well. Jumping on them for every single thing they do wrong isn't going to accomplish anything, so I don't belabour that when we debrief."

OODA is about focusing on success and what's needed to achieve that, including learning from mistakes that get made along the way. So is the concept of purposeful diffusion through the various squadrons. That way everyone improves based on successes and mistakes alike.

# OODA: THINKING LIKE A NAVAL AVIATOR

LT Page agreed. Every action is really a "time to practice perfection." Having a good handle on the basics and really practicing those will "help you make tougher decisions when they come." And, they will come, often when you least expect 'em!

In closing, we've obviously just scratched the surface today.

The future is rushing towards us at breakneck speed and, with it, all sorts of volatility, complexity, ambiguity, and uncertainty. You can run and hide like many people will, or you can be "in to win."

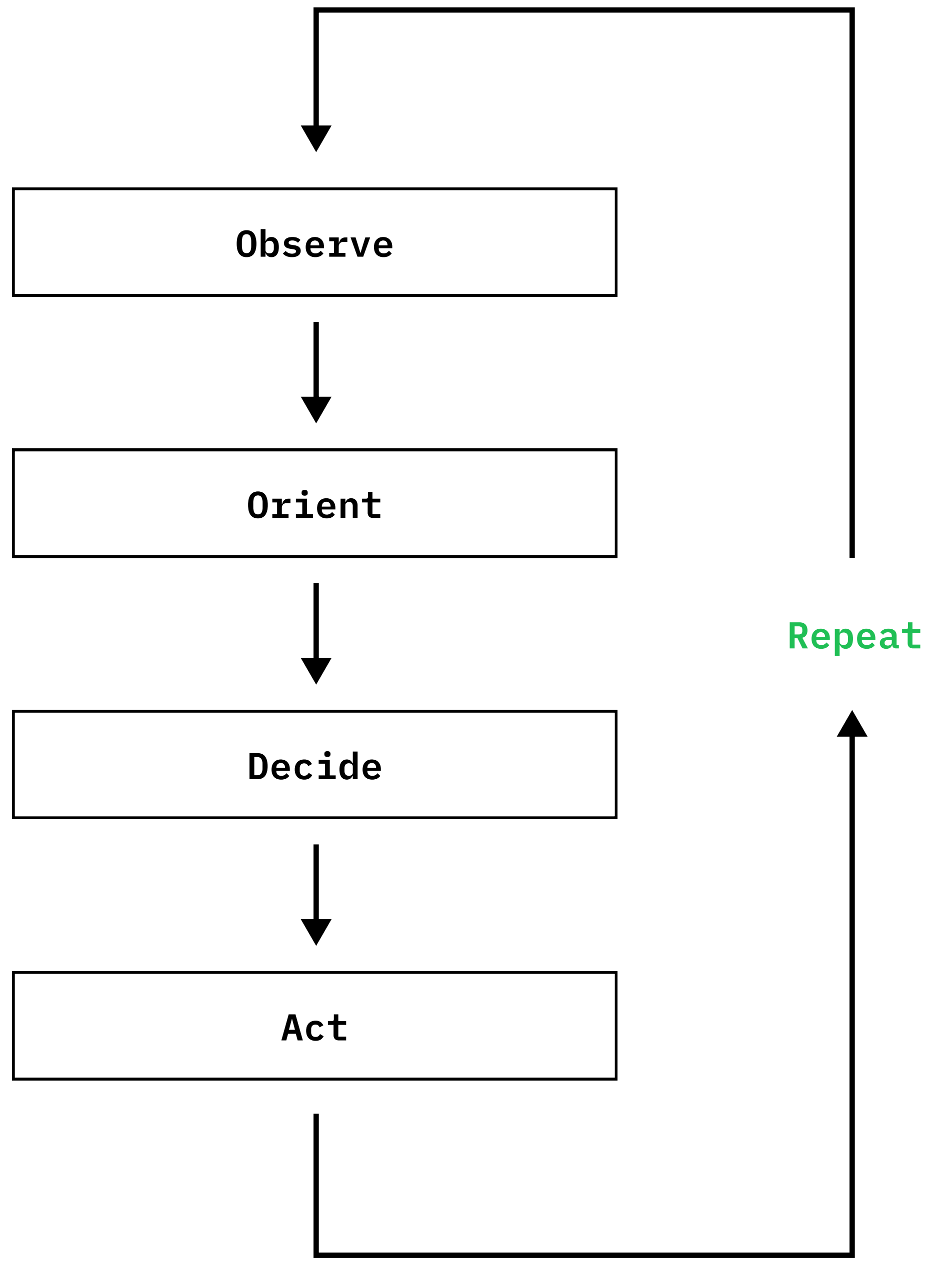
I obviously can't promise that OODA will help you avoid losses or that it'll eliminate stress. Life is full of extremes and those things are a part of our world.

But I can promise you this ... learning to "OODA" the way our finest naval aviators do and the way Gramps taught me could be just the ticket when it comes to finding opportunity and to avoiding many of the pitfalls that will trap other investors.

... *thump!*

*KF*

## The OODA Loop




**Special Thanks:**

This interview would not have been possible without the express involvement and consideration of a number of people:

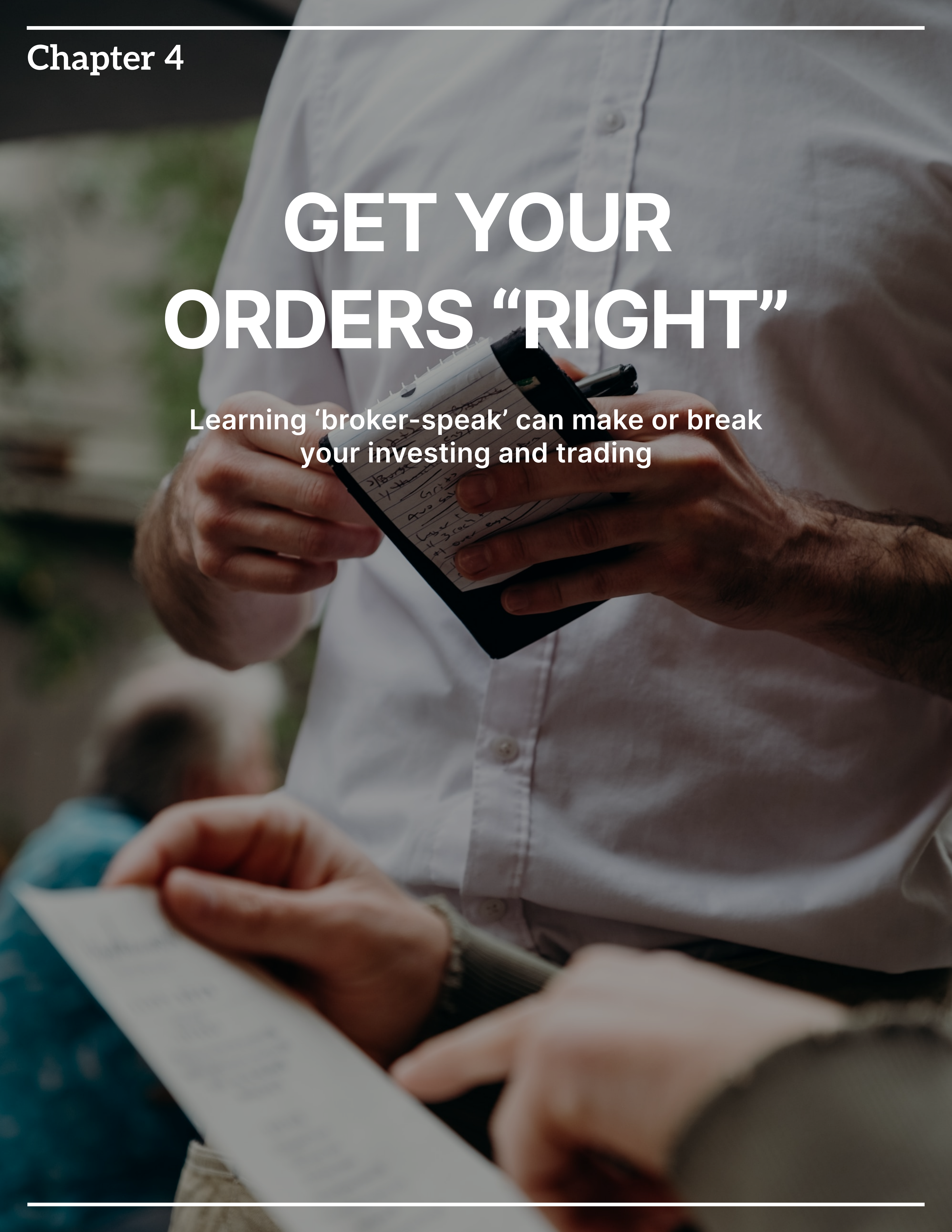
- Vice Admiral Kenneth Whitesell, Commander, Naval Air Forces/Commander, Naval Air Force, US Pacific Fleet
- CDR James Shell, Chief Staff Officer, Electronic Attack Wing, US Pacific Fleet
- LCDR Austin Worst USN VAQ-209
- LT Kathryn Page USN VAQ-136
- The men and women of Naval Air Station Whidbey Island (NASWI)

Thank you for your service, for your enthusiasm and for your time. Most importantly, thank you on behalf of the entire One Bar Ahead™ Family for stepping forward when others could not or would not!

Chapter 4

# GET YOUR ORDERS "RIGHT"

Learning 'broker-speak' can make or break your investing and trading



# GET YOUR ORDERS RIGHT

## Time to get real …

You don't want to let profits pass you by any more than you want the next big winners get away from you.

You DO want to build real, sustainable wealth.

Perhaps you're just not as effective at making money in the markets as you'd like.

So, you can skip the nuts and bolts and just "pick stocks." Right?

Right??!!

**Nope.**

Wall Street has a language all its own, and you absolutely want to get your orders right.

Doing so gives you an edge over everybody else who's just picking stocks or throwing their money against the proverbial dartboard to see what sticks.

Knowing what orders to use, when and how helps increase your profit potential, reduce risk, and eliminate errors that could otherwise hold you and your money back.

Orders are every bit as much about success as the One Bar Ahead™ approach itself. They're an important part of the journey and a critical foundation for every investment you make, even if it's one I haven't recommended!

Besides, knowing "broker-speak" can be really cool at your next BBQ!

Okay, that last part is optional, but you get the drift. 😊

## Opening and closing positions

Let's start with the basics.

Any order that opens a new long position is a "buy" order. Any order that closes an existing long order is called a "sell" order.

*Like ordering your favorite drink, specificity can make or break what you're served*

Any order that opens a new short position is a "sell short" order that is sometimes simply called a "short" order. Any order that closes an existing short order is called a "buy to cover" order or simply "buy to cover."

Please check with your broker if you ever have a question as to the particular terminology that it uses.

I am aware, for example, that some brokers will not allow you to open and close orders without the proper order type. For example, if you are short XYZ and want to close the position, you may not be allowed to do this with a "buy" order if your broker is expecting a "buy to close" or "buy to cover."

This has become less of an issue as electronic execution has become more prevalent but it's still an important point worthy of your attention; I'd hate to see you unpleasantly surprised!

**To Open / To Close**

- Any order placed "to open" establishes a position
- Any order placed "to close" shuts it down or exits a position

Historically this language has been associated with options, but I learned long ago that the extra specificity it provides can keep you from making really serious screw ups. That's why I routinely include it when I write down an order in my journal or say it aloud as I am preparing to submit an order online even if my broker doesn't require that I do so.

For example, most investors will simply say, “I want to buy 100 shares of Palantir” but I’ll say “I want to buy 100 shares of Palantir to open” because I want to double check that my order matches up with my thinking. Conversely, if I am exiting a position, I’ll append “to close” to my instructions.

**Getting “Done”**

While there are many ways to see if your order has been executed and filled, brokers will often simply say “done.” For example, I got “done” at $3,200 the other day when I purchased a few shares of Amazon to open a new position. My order to buy Waste Management (WM) recently got “done” at $144 to open.

**Slippage**

This is usually more applicable to systems traders than it is investors, but you may hear about it from time to time. Slippage usually refers to the price difference between when a computer signalled an entry, and the price when the order was actually filled in real market conditions. It can also refer to the difference in bid/ask prices between the time a market order is requested, and an exchange or market maker executes it.

## Order types

**Market Order**

This is the most basic order type of all – an order to be executed at the best price available when the order “hits.” It is a quick way to get into the market and will often be filled at or near the present bid or ask. The downside is that market orders do not give you any control whatsoever over the actual price for the trade. You are “done” at the market, whatever that is at the time.

- Example: “Buy 100 IBM at market”
- Example: “Sell 50 MSFT at market”

**Limit Order**

A limit order limits the price at which your order will be executed. You will usually use this order to buy or sell at a specific price point. While the advantage is that you gain control because you will never be “done” at a worse price than you’ve asked for, the disadvantage is that your order may never get filled either.

Every now and then you may get “done” at an even better price than your limit, but this is not the norm. You may want to ask your broker what their position is on “improving” limit orders. Some brokers will while others will not. Dark Pools and Payment for Order Flow have complicated the situation considerably over the years, but it is still possible, and usually a pleasant surprise when it happens.

- Example: Buy 100 PLTR at $25.00 Limit – this means you want to buy 100 shares of Palantir at a price no higher than $25 a share. Palantir is trading at $25.81 as I type so the order will likely go unfilled unless there is a pullback.
- Example: Sell 100 PLTR at $26.00 Limit – this means you want to sell 100 shares of Palantir at a price of $26 or more. This is the kind of limit order typically placed when you’re seeking an exit at a specific price or have a profit target in mind.

## Stops

### Stop Loss

A stop loss order is intended to protect your money by "stopping" you out of a position if the market moves against you. This type of order becomes a market order as soon as a trade happens at the price you've specified, so you might be "done" at that price in a flat, slow-moving market but experience considerable slippage in a volatile market.

- Example: Imagine you are long 100 shares of Pfizer at $40 a share but do not want to keep the position if the price drops below $35. You'd place a stop loss order to "Sell 100 shares of Pfizer at $35 a share." If and when Pfizer drops to that price, you'd be "done" at or near $35 for a loss of ~$5 a share, assuming you get filled at the market.

### Stop Limit Order

A stop limit order is intended to address this issue by providing a "limit" for the worst possible price you're willing to accept.

- Example: Referring to the previous example, imagine you don't want a fill worse than $34 a share once your order is triggered. In that case you'd enter an order to Sell 100 shares of Pfizer $35 stop, $34 limit."

Great right? Not quite.

The problem with limit orders is that the markets can crash right through your order to $30 a share and you'd be stuck with shares because market conditions moved beyond the $34 limit you specified as the lowest price you'd accept.

The other challenge is something called "partial fills" which means that you may only get a few shares sold instead of everything you want off your plate. The unfilled portion typically remains as a standard limit order. This is usually a problem with larger orders, but as electronic trading has taken over, I've noticed even smaller orders getting broken up.

### Stop Orders

These are usually referred to as "buy" or "sell" stops. Confusingly, they're typically used to enter positions because they allow you to pick your entry and exit points carefully. Traders I know use 'em to enter positions in anticipation of breakouts or reversals, for example.

Back in the day, these used to be among my favourite type of orders but these days brokers, market makers and others consider it a profitable pasttime to "run the stops" purely to make your life miserable and separate you from your money while building up their own positions. Dark pools make it worse.

- Example: Buy Stop / Sell Stop – As I write this, Pfizer is trading lower at $46.74. Let's say you wanted to add to shares when it breaks $48 because you assume it'll head higher from there. You'd enter a "buy stop" at $48 to purchase shares and sit tight until that happens. Sell stops work in reverse.

### Trailing Stops

Trailing stops are technically limit orders that track stock, bond, option or ETF prices as the move higher. But, critically, if there's a reversal, those same orders are never moved lower. Hence the name … trailing stops.

Trailing stops are typically set in one of two ways using percentage terms or absolute dollar amounts. They can also be volatility based if you've got the math covered or your broker has that kind of sophistication built into whatever platform is on offer.

I often suggest a trailing stop of 25% as a rule of thumb, but there's nothing wrong with setting trailing stops at 5-10% or even 75% if that fits with your individual situation. Adjusting them to reflect market conditions is totally cool, too.

I covered trailing stops extensively in the July 2021 issue, so I encourage you to take a spin through the One Bar Ahead™ archives to read up on 'em.

# GET YOUR ORDERS RIGHT

## Duration Orders

**Day orders**

This stipulates that your order remains in effect only through the closing bell of the day your entered it. After that, it vanishes.

**Good till Cancelled**

Also known as “GTC” orders, this order will remain in effect until you cancel it. I’ve learned the hard way over the years that you’ll want to keep a list of open orders at hand so that you are not surprised by a GTC order you’d forgotten about suddenly getting “done” when you least expect it. Better brokers will often proactively get in touch to confirm any GTC orders hanging about.

## Conditional Orders

**All or None**

This order, as the name implies, must be done all at once or not at all.

- Example: If you want 500 shares of Microsoft AON but only 100 are available, your order won’t get ‘done.”

**Fill or Kill**

Order names are very descriptive and quite literal. In this case the order is either immediately “filled” or “killed” meaning it goes away.

**Market if Touched**

Frequently called an “MIT” order, this one is essentially a limit order that becomes a market order the moment a trade occurs at the specified price. This can be a powerful order when you want to buy or sell a stock or ETF at a desired price if and when the prices you’re setting are reached without the hassle of having to actively monitor market conditions.

**Market on Close**

Referred to as an MOC, this order type is done as close to the end of a trading session as possible. Check carefully with your broker because some do not accept orders after a predetermined period prior to the close of a given trading day. Generally speaking, this is about 15 minutes or less prior to the end of session. A variation is to LOC or Limit on Close which is the same as an MOC order but with a price limit.

**Market On Open**

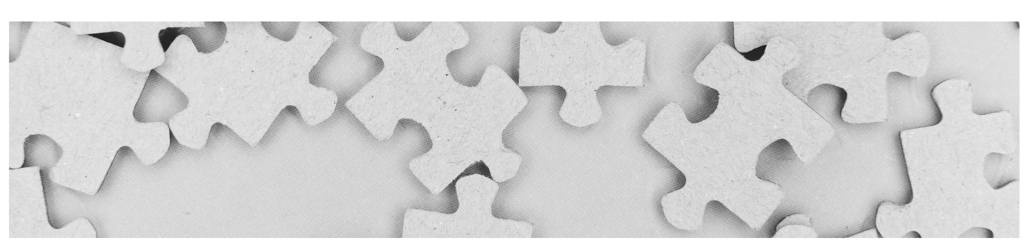
Exactly the reverse of an MOC order. Limit on Open is a similar variation using a price limit.

## Contingency Orders

**Order Cancels-the-Other Order**

Known as “OCO’s”, this order is a conditional order that tells your broker to cancel one order if another conditional order is executed. Experienced investors typically use OCO orders to enter positions, trade breakouts or reversals. Many online brokers have OCO orders built in so you can even layer multiple OCO’s if you’re up for it. As is the case with GTC order, though, pay careful attention to what your outstanding order “stack” is because you don’t want to get caught by surprise.

- Example: Suppose you own 100 shares of Palantir and it’s trading at $25. Imagine you’d like to capture profits at $35 a share but didn’t want to lose more than $5 a share. You could enter a stop loss to sell 100 shares at $20 a share and a simultaneous order to sell shares at $35, whichever happens first. OCO orders can be made as day orders or GTC.



*Like a puzzle, every order has a specific fit*

# GET YOUR ORDERS RIGHT

In closing, this can all seem as clear as mud.

Fear not, though!

The vast majority of orders we'll be using during our time together are going to be simple buy/sell orders with limits attached. Most will be day or GTC – good till cancelled - to ensure maximum flexibility and control.

It can take a while to develop a "feel" for which order types work best for you, how you set 'em and when you use 'em but that is normal too.

And if you have questions?

Shoot me an email for the AMAs at askkeith@onebarahead.com.

I'll be with you every step of the way!

KF

### I'm here for you ...

This article came about after several OBA Family Members asked for a better understanding with regard to how, why and when to use specific order types.

If you have something on your mind, please let me know. The more knowledge we share, the more profitable we can all be.

Suggestions already include:

- How to pick the best REITs
- Why the Fed's next move really matters
- Where the US Dollar goes from here
- Gold stocks versus bullion
- How to pick a financial advisor and why you should
- Will we have another lockdown and what does that mean for markets

If you have anything you'd like us to cover, please send your topic request immediately to: magazine@onebarahead.com.


## Tell us what you think of the magazine!

**Have you tried any of the techniques and tactics from previous issues, or have you learned something new? Made a great buy? Discovered a new stock or fund? Tried Noriko's recipes? Started travelling again?**

## Drop us a line at

**magazine@onebarahead.com**

**If you have pictures send 'em along!**

# PORTFOLIO REVIEW

Plus, this month's OBA 50

Great earnings, even greater profit potential!

# PORTFOLIO REVIEW (SEPTEMBER 2021)

It's ironic.

We are living through one of the fastest, most powerful bull markets in recorded financial history – yet the overwhelming majority of investors still can't see it.

Good thing we don't have that problem!

As of August 31st:

- The S&P 500 has hit 53 new all-time highs so far this year, breaking a previous record set 57 years ago in 1964
- The S&P 500 closed at record highs 12 times in August alone, more than any other August in recorded market history
- The markets have now gone 10 months without even so much as a 5% drop in stocks, only the 5th time in the last 20 years
- The S&P 500 has rallied more than 100% since putting in pandemic lows on March 23, 2020, the fastest "double" since the Great Depression
- Year over year earnings growth averaged 91%, the highest since Q4 2009.
- 67 companies reported positive EPS guidance, the highest since 2006
- 87% of S&P 500 companies beat estimates

The big fear for many is that things slow down; I get that. It's certainly possible but to a point I make frequently, not probable. The world simply will not stand for another set of lockdowns and every central bank in the world will do whatever it takes to keep the money flowing.

Don't get me wrong, I am not suggesting anything even remotely resembling a smooth ride higher. There will be dips as fear works its ugly way through the system but optimism, hope and aspiration will ultimately triumph just as they always have.

The world's best companies – including those we're following - have already figured out this out which is why the business case for owning 'em remains stronger than ever. Even if there's some selling ahead.

At the risk of sounding like a broken record, there will be more profit potential created during the next decade than the last fifty combined. Every number, every metric, every data point we have at our disposal increasingly supports that thesis. The world IS reopening and, virus or not, money is on the move!

## Foundation Stones (50%)

This category contains companies intended to be the base around which all other choices are built and will account for roughly 50% of overall investable capital. The intent is to create stability that gives you the freedom to pursue more aggressive choices in the other two tiers over time. There will be some turnover here but, odds are, not much over time because the emphasis is on fundamental underpinnings.

## Global Growth & Income (40%)

This category houses companies offering a unique twist on one or more of the "5 Ds" or which are technically of interest and will represent roughly 40% of overall investable capital. The goal with this segment is appreciation potential AND an income boost so expect to see dividend payers and players here. Turnover here may be based on a combination of technical and fundamental data and may be slightly higher. Market action could also trigger entries and exits.

# PORTFOLIO REVIEW (SEPTEMBER 2021)

## Zingers (10%)

This category is home to the most speculative choices and will account for roughly 10% of overall investable capital.

Zingers are fundamentally compelling but are going to be selected based on a higher relative technical analysis weighting using the OBA engine and the MMI specifically. Expect turnover to be highest in this tier based on technical market action.

## Foundation stones (50%)

**Apple Inc. (AAPL)** – Apple continues to defy naysayers. Even long time Apple "bear" Jeffrey Kvaal of Wolfe Research threw in the towel recently.

The key remains subscriber growth. To that end, Apple now reports more than 700 million paid subscriptions across all services on their platforms, an increase of 150 million paid subscribers from last year and a 4X increase over the past four years.

Ironically, the real fireworks have yet to happen!

I am particularly encouraged that Apple as apparently asked suppliers to build as many as 90 million new iPhones this fall. That's a 20% increase from the usual run of 75 million units per year, and at an average price of $873, could result in a cool $13.09 billion added to the top line.

A billion paid subscribers is not only reachable, but UII – unstoppable, inevitable, and imminent!

Yield is 0.60%

Price Target: $200 by year end barring a general market meltdown, in which case all bets are off.

**JPMorgan Chase (JPM)** – Many investors continue to think about JPM as a big bank, but they're almost certainly not thinking big enough. I remain convinced we're on the right track and that JPM Coin is the next logical step in programmable money.

Meanwhile, Team Dimon recently boosted quarterly dividends to $1 in a move that I think speaks volumes about the confidence it has with regard to meeting objectives going forward.

Remember, dividends are not just income like most investors think. Rather, they're a promise from management that they will live up to their promises.

Yield is 2.38%.

Price target: $200 by year end 2021

**Microsoft (MSFT)** – If there's a better choice out there when it comes to digitalisation, I can't find it. Microsoft's Intelligent Cloud generated 34% of the firm's total revenue up 23% year over year making it the company's biggest growing segment!

CEO Satya Nadella recently noted that ~5% of the world's GDP is tech-related ... and that he expects that figure to double. I agree but think triple is more like it.

MSFT continues to be a cash generating machine. In the last 12 months, MSFT generated $76B in free cash flow up 26% year over year.

During August, MSFT also furthered their "cash-cow-ness" by announcing price raises for Office 365. Keep in mind that this is already an incredibly sticky product with nearly 47.5% market share. The latest pricing could add another $5b to the bottom line every year. Perhaps more.

Yield is 0.79%.

Price target: $300 by year end; $400 within the next 24 months or sooner

## Global Growth and Income (40%)

**Amazon (AMZN) – New**

**BlackRock Science and Technology Trust (BSTZ) –** This fund offers the best of both worlds, it maintains a 100-day correlation of just 0.85 with the QQQ, pays a very distribution AND is currently trading at a 4.97% discount to NAV!

It's one of the few really stellar ways an individual investor can access next generation companies and technology. The covered-calls it sells help reduce volatility which is always a good thing.

Yield:  5.11%.

Price target: $55

**Chevron (CVX) - New**

Costco Wholesale Corp (COST) – Pretty basic story. Every dollar has to go farther, and this company is one of very few capable of making that happen for strapped consumers. Make sure you don't lose sight of the fact that COST makes most of its money through memberships. This makes Costco one of the most inflation-resistant stocks available because product margins are not the primary concern.

Yield is 0.69%.

Price Target: $540 within 12-24 months.

**General Mills, Inc. (GIS)** – GIS is an ideal choice for investors wanting to guard against inflation yet own companies that could be stellar performers under bearish market conditions. The company is expecting to increase prices by 7% over the next year to thwart the impact of inflation. It's under pressure lately from traders who don't understand the company's inflation resistance-DNA but remains a top low-beta choice for investors like us because it's a proven player capable of turning in consistently solid numbers over time.

Yield is 3.49%.

Price target: $70 by year end

**Gilead Sciences, Inc. (GILD)** – I often refer to GILD as a silent winner because the markets still don't understand the company's potential. It remains my choice for Covid-19 therapeutics.

Notably, a US Appeals Court just reversed a $1.2 billion judgement against Gilead initially won by Bristol-Myers over a pioneering immune system technique known as CAR-T which uses a person's own T-cells to attack cancer cells.

Perhaps best of all, though, GILD has an ultra-low beta of just 0.41 which means it's roughly 59% less volatile than the S&P 500 index. I think it could prove to be a great source of stability as we head into Covid 2.0 this fall.

Yield is 4.0%

Price target: $88

**McDonald's Corporation (MCD)** – Forget hamburgers, MCD continues to booster operations via digitalization. This is improving throughput and profits at the same time. The company recently reported that the order cycle is down by a full ten seconds which really adds up when you are processing millions of orders a day! The company recently made headlines by trying to hire 14-year-olds in Oregon as a way to fill staffing gaps.

Personal research is optional...but I do like their fries!

Yield is 2.15%.

Price target: $270

**Palantir Technologies Inc (PLTR)** – There's nothing I like more than a controversial stock with fabulous fundamentals. Wall Street, unbelievably, still can't wrap their collective heads around what this company does.

Q2 revenues were up 49%, but that's not the best part. The customer count increased 32%, and the company's known future deal value is pegged at $3.4B, about triple the $1.3B of TTM in revenue. Assuming these figures hold like I think they will, this should allow PLTR to easily boost the already start-up like 49% YOY quarterly revenue growth.

Palantir continues to quietly stake key customers with an emphasis on health tech, an interesting and savvy tactic. After all, when you know your product leads to fantastic results, it makes sense to take part in the success.

There is no yield.

Price target: $50 within 12 months; $100 a share in five years or less.

**Pfizer Inc. (PFE)** – COVID variants continue to wreak havoc; booster shots and annual vaccines are all but a foregone conclusion at this point. Notably, Pfizer hit my price target of $50 earlier than expected which is why I've since revised it to $65 within the next 12-24 months to reflect continued demand vaccine and treatment related demand.

PFE recently announced the purchase of Trillium Therapeutics, a Canadian drug developer specializing in blood cancer therapies. Blood cancer represents almost 6% of all cancer diagnoses worldwide, with 1 million people diagnosed in 2020.

Oncology sales were Pfizer's second-largest top line contributor over the three months ending in June, with revenues rising 19% from the same period last year to $3.145 billion. The division's 24-drug stable includes brand such as Ibrance, its biggest seller, Inlyta and Sutent.

Interestingly enough, one of Trillium's main rivals in this space, Forty Seven, Inc, was bought by Gilead Sciences, our other "Virus+" choice.

Yield is 3.55%.

Price target: $65

**Raytheon Technologies Corp (RTX)** – There are rumors flying that the US will blow up ~$86B of military hardware left in Afghanistan but I don't think that's likely. What I do see happening, however, is Raytheon could well become America biggest aerospace and defense contractor within the next 3 years.

Raytheon's business units are far more widely distributed than single-source product lines that drive the competition's bottom line. At the same time, Raytheon is a single source supplier which means the company's products cannot be cut. Engines for both the F-35 and B-21 Raider are good examples.

Yield: 2.40%

Price Target: $140 within 12-24 months.

**Visa Inc. (V)** – Visa continues to recover nicely. Q3 revenue increased 27% from the same period in 2020, but more importantly, was 10% over pre-pandemic levels. With 3.6 billion cards in the wild – one for every two people on the planet today – I wouldn't expect anything less.

Visa most recently acquired Currencycloud, an app that simplifies foreign exchange to make cross-border payments easier. The company also announced the acquisition of Tink, a Swedish-based open banking platform. Having consumer-oriented Visa paired with institutional JP Morgan blends the best of both worlds when it comes to being One Bar Ahead™.

Yield: 0.55%.

Price target: $260 by year end

**Waste Management, Inc. (WM)** – Love it or hate it, the President's $3.5 trillion infrastructure bill is finally on the move. WM has steadily charged higher as a result. Yet the stock has a low beta of just 0.81 and an ultra-conservative, reliable dividend capable of creating the peace of mind I think will be welcome in the months ahead.

Covid or not, more trash equals more cash.

Yield is 1.50%.

Price target: $160

## Zingers (10%)

**BridgeBio Pharma Inc. (BBIO)** - Chinese investor Lei Zhang called BBIO one of the top ten stocks to buy earlier this year and, odds are, he knows a bit about the subject. He's worth a reported $3 billion.

The company added three new directors to its board recently including Fred Haasan, the former CEO of Schering-Plough and Chairman of Bausch and Lomb, Andrea Ellis, a consumer technology innovator and CFO of Lime, and Douglas Dachille, former CIO of AIG.

# PORTFOLIO REVIEW (SEPTEMBER 2021)

Admittedly, I am frustrated with the stock's price action, but we've been here before. Most notably, with Pfizer while the markets gathered strength.

Price target: $85.

**Tesla Inc. (TSLA)** – The worst mistake any investor could make is to underestimate CEO Elon Musk. He is truly a visionary in a sea of myopic minds. Tesla recently introduced the world to Tesla Bot and an in-house computer chip called the "D-1" that's intended for use in the firm's homegrown Dojo supercomputer.

Ultimately the goal is to use a monster neural network to create a fully self-driving system capable of operating anywhere on the plant. Skynet references aside, I think it's going to happen sooner rather than later.

And, in the "I-told-you this would happen" department last year, Tesla has now apparently filed to become an electricity provider in Texas, with plans to sell power. This comes in conjunction with the construction of a massive 100-megawatt battery field in Angleton (near Houston). And follows on the heels of energy trading licenses it's held in Europe for some time now.

There is no yield.

Price Target: $1,000/share in 12-24 months.

**Canoo Inc. (GOEV)** - Canoo is a commercial EV play, pure and simple. With their sole focus being last-mile deliveries, it's territory ripe for bulk contracts from the likes of Amazon.

There is no yield.

Price Target: $15/share in 12-24 months.

## Cash Alternatives

**Bitcoin** – Institutional interest continues to grow as expected. Bitcoin is up 359.24% over the past 12 months, 71.13% this year alone. It seems "stuck" at $50,000 but don't let that bother you. There's a huge amount of digestion happening as institutional offerings lurk in the background. I won't tell you that it'll power higher, but the stability needed to do that is building.

**Ethereum** – The network-wide upgrade (called the London Fork) I told you was coming took place in early August, bringing more efficient transactions, mining, and transfers. It's up 915.22% over the past 12 months and 438.16% year to date.

While estimates are all over the map, I continue to advocate an overall allocation of 0.5%-1% of investable assets between the two: Bitcoin and Ethereum. Keep in mind, that we're "bookending" both choices with Visa and JPMorgan Chase.

Please note that Bitcoin and Ethereum are the most speculative investments in the entire One Bar Ahead™ universe. Do NOT invest unless you have a high-risk tolerance and are ONLY investing money you can lose.

## Fund Folio™

There are no changes this month.

### Foundation Stones

| | PORTFOLIO WEIGHT |
|---|---|
| Vanguard Wellington Fund (VWELX) | 32% |
| Pimco Strategic Income Fund (RCS) | 16% |
| SPDR Gold Trust (GLD) | 2% |

### Global Growth and Income

| | |
|---|---|
| BlackRock Science and Technology Fund (BST) | 32% |
| Pfizer Inc. (PFE) | 4% |
| Altria Group Inc. (MO) | 4% |

### Zingers

| | |
|---|---|
| BlackRock Science and Technology Fund (BSTZ) | 10% |

# PORTFOLIO REVIEW (SEPTEMBER 2021)

## One Bar Ahead™ Model Portfolio

Data as of 09/02/2021

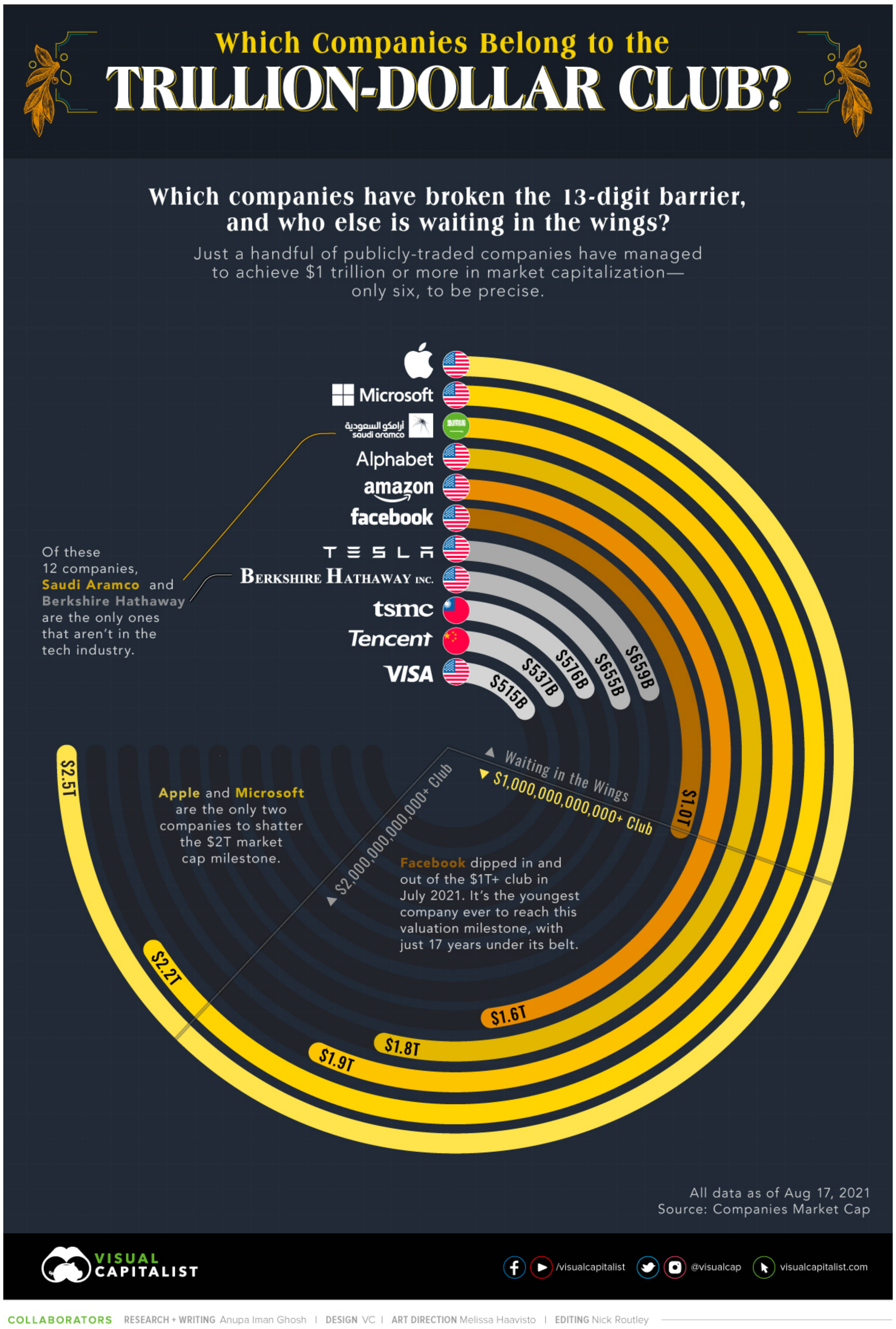
| | Stock | Recommended | Price at Entry | Current Price | Yield | Beta | Profit/Loss | STOP | 12-24mo Target | Last Instruction |
|---|---|---|---|---|---|---|---|---|---|---|
| Foundation Stones | AAPL | 1/8/21 | $ 132.05 | $ 153.65 | 0.65% | 1.21 | 16.4% | $ 129.81 | $ 200.00 | Buy/Accumulate |
| | JPM | 1/14/21 | $ 141.17 | $ 160.46 | 2.30% | 1.19 | 13.7% | $ 143.24 | $ 200.00 | Buy/Accumulate |
| | MSFT | 3/5/21 | $ 226.73 | $ 301.15 | 0.83% | 0.78 | 32.8% | $ 259.68 | $ 400.00 | Buy/Accumulate |
| Global Growth | GILD | 1/11/21 | $ 62.51 | $ 72.34 | 4.15% | 1.21 | 15.7% | $ 61.92 | $ 88.00 | Buy/Accumulate |
| and Income | PFE | 2/5/21 | $ 34.92 | $ 46.84 | 3.96% | 1.19 | 34.1% | $ 37.15 | $ 50.00 | Buy/Accumulate |
| | BSTZ | 2/5/21 | $ 39.31 | $ 41.66 | 4.89% | 0.78 | 6.0% | $ 36.69 | $ 55.00 | Buy/Accumulate |
| | GIS | 6/4/21 | $ 63.72 | $ 57.92 | 3.38% | 0.42 | -9.1% | $ 48.02 | $ 70.00 | Buy/Accumulate |
| | COST | 8/6/21 | $ 439.63 | $ 460.97 | 0.70% | 0.73 | 4.9% | $ 403.70 | $ 540.00 | Buy/Accumulate |
| | AMZN | 8/23/21 | $ 3,265.87 | $ 3,463.12 | 2.34% | 1.14 | 6.0% | $ 3,079.96 | $ 3,850.00 | Buy/Accumulate |
| | RTX | 8/6/21 | $ 87.58 | $ 84.54 | 2.34% | 0.54 | -3.5% | $ 79.35 | $ 140.00 | Buy/Accumulate |
| | MCD | 6/4/21 | $ 231.69 | $ 239.87 | 2.23% | 0.65 | 3.5% | $ 215.94 | $ 270.00 | Buy/Accumulate |
| | V | 4/7/21 | $ 219.27 | $ 224.18 | 0.54% | 1.15 | 2.2% | $ 214.66 | $ 260.00 | Buy/Accumulate |
| | WM | 4/7/21 | $ 132.41 | $ 155.81 | 1.63% | 1.54 | 17.7% | $ 140.42 | $ 160.00 | Buy/Accumulate |
| | PLTR | 1/8/21 | $ 25.20 | $ 26.51 | 0% | 0.63 | 5.2% | none | $ 50.00 | Buy/Accumulate |
| Zingers | TSLA | 5/7/21 | $ 672.37 | $ 732.39 | 0% | 1.21 | 8.9% | $ 541.69 | $ 1,000.00 | Buy/Accumulate |
| | GOEV | 8/13/21 | $ 7.01 | $ 7.72 | 0% | 1.19 | 10.1% | none | None | Buy/Accumulate |
| | BBIO | 3/5/21 | $ 62.52 | $ 51.18 | 0% | 0.78 | -18.1% | $ 45.95 | $ 85.00 | Hold |
| | SH | 2/1/21 | | $ 14.50 | 0.00% | 0.00 | | None | | Opportunistic |
| | RYURX | 2/1/21 | | $ 29.78 | 0.47% | 0.00 | | None | | Opportunistic |
| Hedges/Inverse | UVXY | 2/1/21 | | $ 20.96 | 0% | 0.00 | | None | | Opportunistic |

## OBA 50

As of September 1, 2021

| Ticker | Name | Ticker | Name | Ticker | Name |
|---|---|---|---|---|---|
| AAPL | Apple Inc | FDX | Fedex Corp | PLTR | Palantir Technologies Inc |
| ADBE | Adobe Inc | GILD | Gilead Sciences Inc | PYPL | PayPal Holdings Inc |
| AFRM | Affirm Holdings Inc | GOOGL | Alphabet Inc | QCOM | Qualcomm Inc |
| ALGN | Align Technologies | HCA | HCA Healthcare Inc | ROKU | Roku Inc |
| AMAT | Applied Materials Inc | JNJ | Johnson & Johnson | RTX | Raytheon Technologies Inc |
| AMD | Advanced Micro Devices In | JPM | JPMorgan Chase & Co | SQ | Square Inc |
| AMZN | Amazon Com Inc | LOW | Lowes Companies Inc | TCEHY | Tencent Holdings ADR |
| BBIO | BridgeBio Pharma Inc | LRCX | Lam Research Corp | TGT | Target Corp |
| CAT | Caterpillar Inc | MA | Mastercard Inc | TMO | Thermo Fisher Scientific Inc |
| COST | Costco Wholesale Corp | MCD | McDonald's Corp | TMUS | T-Mobile US Inc |
| CRWD | CrowdStrike Holdings Inc | MRNA | Moderna Inc | TSLA | Tesla Inc |
| DE | Deere & Co | MSFT | Microsoft Corp | TWLO | Twilio Inc |
| DHR | Danaher Corp | MU | Micron Technology Inc | V | Visa Inc |
| DIS | Walt Disney Co | NET | Cloudflare Inc | W | Wayfair Inc |
| DOCU | Docusign Inc | NOW | ServiceNow Inc | WM | Waste Management Inc |
| F | Ford Motor Company | NVDA | Nvidia Corp | WMT | Walmart Inc |
| FB | Facebook Inc | PFE | Pfizer Inc | | |

# THE "FASCINATOR"




## My POV:

Do not make the mistake of thinking that the biggest companies can't get any bigger. They WILL.

I think Apple hits $200 within the year and, in doing so, becomes the world's first $3 trillion company.

Microsoft will not be far behind!

Invest accordingly!

Chapter 7

# HIGH PERFORMANCE OVER 50™

Modern science is only just beginning to understand what the ancient Egyptians knew 3,000 years ago


## Making money requires healthy living.

People argue with me all the time that's not the case.

I beg to differ.

The data are very clear, if not a politically inconvenient truth.

A 2017 study conducted by researchers from the University of Georgia and the Federal Reserve Bank of Chicago published by the National Bureau of Economic Research showed that healthier people make roughly 28% more than unhealthy people over their lifetime.

The study also showed that the average healthy 65-year-old with a high-school degree has $230,000 in wealth versus just $120,000 for an unhealthy 65-year-old with the same degree.

This isn't rocket science.

Being healthy dramatically improves our ability to earn money by enhancing productivity, energy, brain function and sleep. It also reduces the odds of dying from self-inflicted neglect - chief among which includes inflammation that is increasingly shown to be a contributor to all sorts of nasty medical conditions.

Healthier people work more. Labor supply participation is 90% for those folks versus just 70% for their unhealthier colleagues. Perhaps not surprisingly, unhealthier people tend to have a lower propensity to save and a higher propensity to spend which negatively impacts long term prosperity and financial stability.

The way I see things, there is every incentive to make healthier choices no matter how much or how little wealth you have.

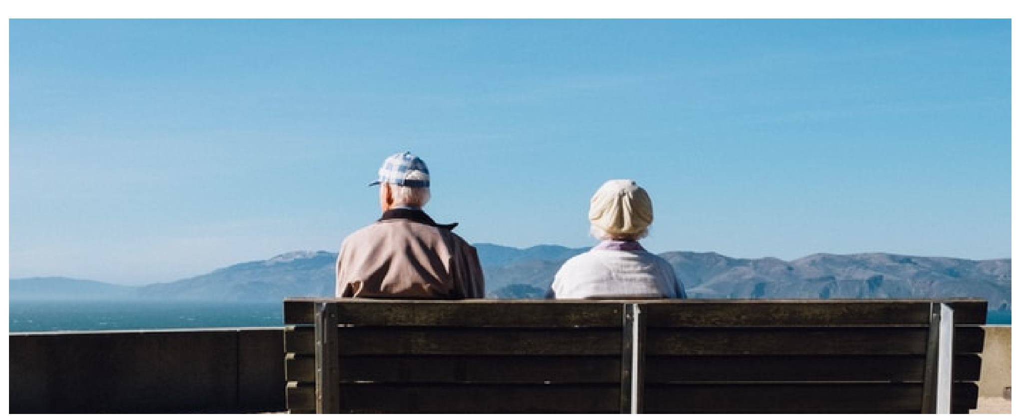
A 2020 study by researchers from University College London, Harvard University and others found that healthier and wealthier people tend to have an average of 8-9 additional years of disability-free living after age 50 than less healthy, less wealthy peers. Researchers also found that social class, education, race and other data all had an impact, but that wealth was by far the single biggest determinant.

Big pharma and insurance companies are not much help. If anything, they're going in the wrong direction at our expense. The public is increasingly aware that the system is rigged in the name of profitability, not actual health.

Both industries want the public to believe that they're spending huge amounts of money on innovation, but the reality is that many of these companies spend more on stock buybacks, sales and marketing. They bully legislators and lobby hard to keep the party going.

The situation is so bad that even Goldman Sachs published a report in 2018 questioning whether curing patients is a sustainable business model. Successful medicine, the firm's analysts noted, "gradually exhausted the available pool of treatable" hepatitis C patients from $12 billion in 2015 to less than $4 billion when the report was published.

There's no question specialized treatments and medicines are needed, especially now as Covid continues to ravage the planet. But we cannot and arguably should not ignore the many inexpensive and widely available natural alternatives.



*Healthy people have 8-9 more years of disability-free living after 50 than less healthy individuals.*

*You likely have this medical superstar sitting in your pantry right now*

Chances are, you have one of the very best in your pantry right now.

Honey.

It's a medicinal superstar used to treat everything from wounds to burns to sore throats and respiratory ailments. The ancient Egyptians considered honey so valuable 3,000 years ago that many pharaohs were even buried with it!

New research shows that Manuka honey could be as much as 100X more potent than other varieties. That's because of something called methylglyoxal (MGO), which comes from the conversion of dihydroxyacetone (DHA), a compound in Manuka honey found in the nectar of Manuka flowers which come from Australia and New Zealand.

With me?

I was surprised to learn just how specialized this really is during the course of my research.

Honey producers rate Manuka honey using a UMF™ (Unique Manuka Factor) scale. The higher the concentration of MGO, the stronger the antibacterial and healing properties.

Manuka honey with a UMF™ rating of at least 10 is considered therapeutic. The highest rating is considered UMF 24+.

Doctors and insurance companies can't agree on medicinal efficacy which doesn't surprise me one bit; they probably can't figure out how to make money from something so simple.

As usual, researchers specializing in natural healthcare alternatives and physicians operating from the wellness side of the equation are way ahead.

Both the Cochrane Review and the Natural Medicines Comprehensive Database show an incredible and growing list of potential uses including treating burns and wounds as well as bacterial infection, boosting the immune system, shortening healing times for surgical wounds compared to traditional dressings, and more.

Manuka honey may even prevent gingivitis and esophageal inflammation caused by chemotherapy used to treat cancer! It's also been shown to treat symptoms of cystic fibrosis, including upper respiratory infections.

And finally, Manuka honey may not lead to resistant bacteria – so-called "Superbugs" - like conventional antibiotics do after repeated exposure and overuse. Used topically, Manuka honey has even been shown to be effective in treating infections caused by Staphylococcus Aureus (MRSA).

*Pay attention to the UMF (Unique Manuka Factor) rating when purchasing this honey*

*Throw a little in your morning tea and feel the difference!*

Are there side effects?

Probably.

People who are allergic to bees may have a reaction. There may be negative interaction with various chemotherapy drugs or other medicines. And anybody consuming enough honey could experience a rise in blood sugar.

Check with your doctor to be sure, but don't be surprised to get a funny look if he or she isn't familiar with the growing body of research on Manuka honey.

If all else fails, throw a little in your tea.

I find it has an almost perfume-like undertone from the Manuka flower, even though it's not nearly as sweet as regular honey.

Enjoy!

KF

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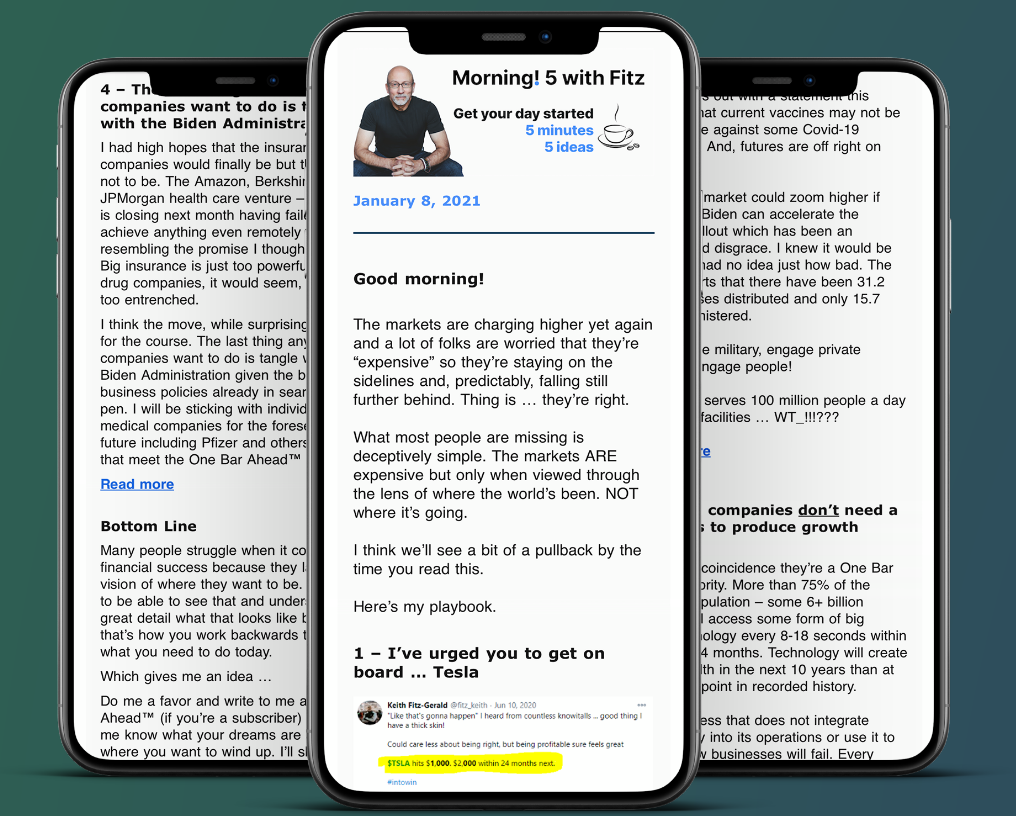


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