WALL STREET UNPLUGGED

AUDIO TRANSCRIPT

Frank Curzio: How's it going out there? It's Wednesday, June 21, and I'm Frank Curzio, host of the Wall Street Unplugged podcast, where I break down the headlines and ... tell you what's really moving these markets.

Man, what was I thinking, starting my own company? I can't believe out of the tens of thousands of you that listen to my podcasts you didn't talk me out of it. I mean writing newsletters, traveling to project sites, interviewing people, research, talking to CEOs, love that part, it's awesome. You realize when you start your own company, the worst thing that could happen is things start going pretty well. If you start a company, if you fail right away, it's kind of cool. Right? You just go on with your life, try a new venture after that, work for another firm.

With your own company you realize how many things are going on; accounting, payroll, contracts, hiring, firing, getting a new office, dealing with divas sometimes, which some editors in our business could be, because a lot of them believe that they have the one method, the one strategy that always works, which is cool to have that ego. Some of them have chips on their shoulders, some even talk down to you at the beginning of those conversations. It's kind of my job to tell them after I review their track record over the past ten years that, "Hey, you know what? You're kind of wrong on this call, and you have some losers here and there." Just to keep them modest.

Everybody has those egos, which is cool. Taxes, IT, web design, making sure everything works, all the links and stuff, customer service, which is awesome, especially when you have some people who ... People do this, I guess, which is part of the business, they'll subscribe to Curzio Research Advisory and cancel 30 seconds later after they get a look at the portfolio and get a couple of free bonus reports.

You deal with designers, a lot of consultants, what you realize about consultants, it's a pretty cool business, right? Some freelancing-type things, but most consultants try to incorporate their, I would use the word, proprietary technology, so you

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basically have to use them, which means pay them forever. You have to be very careful about the consultants you use. You have to keep records of everything of course, register with the states where your employees live, hold marketing meetings every week discussing new ideas, and I'm just getting started.

Despite all the headaches, I love it. It's so much work, but in the end you realize that you created something with the help of so many people. I think when it comes to businesses, there's so much success at the top where people are like "Wow! This guy created the business and it's amazing." But really to be successful, and ... I think Zuckerberg did a great job showing ... He explained this. I think I read on Yahoo! Finance, there was an article of how to hire people, and you hire great people at the beginning, and this is very important, and hiring people at things that he's not great at doing. But it's never just one person that can start that company and be crazy successful. You always need help, you have to hire the right people, get advice from the right people. I asked people on this podcast, some of you that I've called, become friends with, that own your own businesses, just getting advice and stuff like that.

The workload, as much as people tell you about when you start a business you don't really understand until you actually do it, where you're never done with your job, which is kind of weird, right? If you're working for someone, you meet a deadline, and here you go, here's my newsletter, whatever other businesses you guys work for and stuff like that, hey you go home and that's it. The work is never, ever ... There's always something to do. Always. You put in 15, 16 hour days. There's a reason why so many start-ups fail. It's just so difficult to do everything else outside of what you're really good at. What you're good at accounts for maybe 20, 25% of the business, probably, when it comes to operations an entire thing.

Yeah, so you have to hire great people, which I've been fortunate enough to do early on. I get so many questions about starting a business, and how do you do it, from entrepreneurs. It's difficult, but it's definitely worth it. Going forward guys, I just want to give you a preview here. I plan on bringing in some editors now that Curzio Research is rolling doing pretty good here. By good I mean that the infrastructure is set up, which is the most difficult part and make sure these editors are the best in their fields. There's going to be a huge emphasis on performance which may sound obvious to you, right? "Oh, these guys have to perform." But a lot of, I wouldn't say a lot, but in this industry, marketing's a big deal. Sometimes performance takes a backseat to marketing, at least for

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some firms, which is understandable. I'm not picking on anybody, since in the end you have to generate sales to keep your business running.

A good example is my dad, who had 22% annualized returns for over 25 years. Unbelievable performance, amazing stock picker. The Wall Street Journal said he won the greatest stock pickers ever. All over TV, we really never got a chance to grow our business where my dad was touring with Mario Gabelli, who the funds that he has, he's a billionaire. You have Louis Navellier, as well, probably a billionaire. Great guys, brilliant, but that's who he was touring with, guys that really knew how to market much better than us back then. I was very, very young at the time.

Marketing's a big deal, but I think you have to have marketing. Right? You've got to be able to generate those sales for your business, but you have to be accountable for your performance as well, which is very, very important. Sometimes I don't see that in the industry as much. Especially with all the recommendations you have, it's okay to be wrong, we get it. I'm not talking about guys like Mark Farber and Peter Schiff, who I mentioned in the past who truly believe that they've been right for a very long time. And I'm not making fun of them either. Even Harry Dent I'd put in that class, who I interviewed on this podcast, and I like. I'm not gonna pick on these guys here, but I saw a recent interview with Harry Dent the other day, and he actually said, "Well, I've been bullish for a real long time, and now I think the market's gonna come down and crash."

I read it and I'm like, "Are you kidding me?" Everything I read from that guy is kind of like, "Hey, you know, make sure you buy not one key, but two." Yeah, and I truly believe that in his head, and so many times he'll think he has been bullish for years. I don't think he's trying to say ... I just think the way the brain operates sometimes that they don't understand. I can't remember the last time that guy was bullish, and yet again, people need to be held accountable. That's all I'm saying. Those are the people I want to try to hire.

But I also want to hire people who have a lot of experience, decades of experience, because that's where you learn. A lot of times I'll do educational segments and try to to teach you things. It's not because I'm some kind of genius, or I read a book, these are experiences that I had that I got my you-know-what handed to me. Especially in the junior miner sector. I've gotten crushed on a lot of those stocks throughout the years, and now we've come up with a formula by talking to guys like Rick Rule, Jeff Phillips, Marin

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Katusa of course. Guys who have been in this industry for decades, you learn from them, you learn from the mistakes, and just being around those guys helps you. But those are what the lessons are, those are the things that I've learned. Having that experience is very, very, very important, especially for a guy that you're gonna subscribe to his newsletter and learn so much from and follow his advice. You want to make sure they have that solid track record, and make sure those editors will give you the best independent research in their fields, period.

That's the next step now the infrastructure's in place, followed by creating ... I really want to do this and I've mentioned this for a while, creating educational videos on how to analyze stocks. I get great feedback from that, and let me know if you really think that's something that will be, that you really want to say ... I see educational videos all the time on tech analysis or buy here and sell here, or do this and do that. Which I kind of think some of these systems are so funny. But I've never really seen videos on fundamental analysis, and making it interesting, not completely boring and going through a 10K and here's where you see this number with the cash flow and free cash flow.

I want to try to make it as interesting as possible, creating maybe three-minute videos on how to analyze a balance sheet of income statement cash flow. How to spot insider trading trends. Why different types of analysis apply to different industries, right? Why same-store sales is so big for retailers, where MAU, which is Monthly Active Users, is a big metric for social media companies, right? It's not always about earnings, guys. If you have decent earnings in line in your Facebook, your stocks, I'm not sure how the stock react, but if the monthly active users is up tremendously, the stocks can go through the roof. That's the metric that people look at. There's different metrics across every single industry and being able to spot them would be pretty cool.

Learning or teaching you about dividend payout ratios to spot which companies have to cut their dividend. 13Fs when they come out every quarter, how to find them, how to use them, which is basically the registration from institutions where they have to file with the SCC each quarter, highlighting the stocks they bought and sold, right? You see these positions, you see what they're getting into, which is really cool, but all these will be within three-minute videos where I just show the screen. Don't worry you're not going to have to see my face, and all that stuff, I promise.

But just putting up and showing you and providing free sites on how to analyze things or where to look for new ideas, how to

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screen for stocks. I think that's going to be so cool. I've gotten positive feedback, but let me know what you think. Again, this a product that we would charge for on a monthly fee, but I want to put a lot of effort into it to try to teach you as much as I can, and use free sites. I'm fortunate enough to have so many research engines that I pay a lot of money for, that I need, but there's also some good free sites out there that you could use, that you could learn the basics without getting misguided or advice from the wrong people. I just think these videos would do very, very well. I haven't really seen them on the fundamental level yet. That's something I really want to do and expand that educational component which, again, I always get good feedback from my educational segments which we're going to have one in this podcast a little bit.

Those are few things that you'll seen in the months ahead, guys. Again, I share this stuff for you because the reason I was able to start my company is because of you. Some of you have followed me for such a long time. That's something I would never, ever, ever forget. Real quick many of you are going to be receiving invitation today to join Curzio Venture Opportunities, so I'm opening up that membership for about one week, maybe a little bit longer. You should have received that email already. If not, you will soon. I don't open up this membership often, which is very expensive by the way. If you are interested, take advantage of it now because again this membership's not going to be available for much longer.

I'm not going to push this because Curzio Venture is about investing in super aggressive stocks to have a chance to become the next Apple, Google, Barrick Gold. When you are looking for that kind of upside guys and I'm being dead honest to you which is ten times or more, you have to take on an exceptional amount of risk. You are not going to see me highlight, "Oh, you can make three thousand percent." No. Sometimes it takes two, three, four losers to have that one big winner. If you have ten stocks and the goal is maybe three or four of them, be positive you're going to lose money and certainly will again you're taking on exceptional amount of risk. You want one, even two to really do pretty well if you get one to be that grand slam home run for you.

For a ton of winners like this in the past ... My phase one newsletter, Stansberry. Other small cut newsletters I edited at other companies. If you're interested, all details are laid out in that special email you are going to be receiving. If not, no worries. That's cool. I'm just letting you know you are going to receive that email. Got a lot of questions about it.

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Now, into the fun stuff. I've an awesome interview for you today. Really cool guest that I respect to death because he is brilliant. Been analyzing stocks for several decades. Just an all around great guy. The CEO, chief investment officer of US Global which is Frank Holmes. Frank is going to break down the gold sector, he's the smartest analyst I know within this industry. With the recent rebound of the GXJ which we heard about from several people on this podcast and again it's a big story in the mining industry, but he's going to show you how it opened up a bunch of opportunities to buy amazing junior miners that are falling thirty percent, forty percent. He's going to share a couple of those things with you. I think it's really cool.

Frank's company U.S. Global has a ton of funds. One of them is China which is on China fund. Had an exceptional year up from almost every fun within this group and why he believes China is still one of the greatest places to invest, to add growth to your portfolio, which is interesting. Because we hear about all the risks in China and Chinos and everything is going to crash. It's nice to get both sides of the story and then you could decide whether you think, "Hey, I want to get my exposure to China maybe through his fund or not," but at least you are getting both sides of the story, which is very, very important as an investor.

Finally, Frank is launching a brand new gold ETF, which he spend a ton of time analyzing how to beat the markets. He is a data driven guy, model driven guy, he tested this, back-tested it for many, many years showing how it's going to out-perform complete. He's got special formulas and stuff which he is going to break down for you, but it's really cool that he's launching this. We are going to talk all about it. In fact he is ringing the closing bell on a New York stock exchange next week. It's always ETF, that's the exchange he's going to trade on. Frank's a brilliant analyst. Always shares ideas every time he comes on the show. This interview is going to be really awesome, trust me.

Finally, my educational segment, I'm going to break down sentiment. A word we hear all the time but sometimes people don't really understand it. Because I'm going to show you how to take full advantage of it. It's going to be a really cool segment. Again, I don't want to talk this up, and make it really exciting, but it's almost ... I'm going to highlight a great example of a Dow component, a stock that everybody loved at the top and when you see sentiment like that, everything is so high. Sometimes it's good to be a contrarian investor. That's what this segment is going to be about. Not just following sentiment which could be techno analysis

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and buying stocks after they break out or momentum trends. This is more about being a contrarian investor when you see that kind of sentiment fall so much on one side. Either on a bearish side or the bullish side, and how betting against that can make you a lot of money.

Again, it sounds a little bit confusing. I promise it's going to be an awesome segment and I'll break it down to great strategy that I've used numerous times in my newsletter to make a lot of money for subscribers. First, let's get to my interview with the one and only Frank Holmes.

Frank Holmes, thanks so much for joining us again on the podcast.

Frank Holmes: It's good to do with you.

Frank Curzio: Well, let's start out with gold in general. Prices have been relatively stable but we're seeing a lot of weakness pretty much in gold stock particularly in junior mining names, which is kind of confusing to me since gold stocks haven't really done anything, right Frank, over the past few years with super low interest rates, but they seem to not be catching a bit today now that the fed is raising rates, which may indicate that they see inflation down the road. Why are we seeing so much weakness in gold today?

Frank Holmes: Well, I think the big part always with gold is real interest rates. The last time we chatted, real interests had gone negative and we had this big surge in gold that run up to close to 1,300. Now we see interest rates rising we are going to do, but when we look at our numbers ... The ten-year government bond, the five-year and the two-year, still our old negative rates return. That means the U.S. government is asking to buy the two-year government bonds, the five-year government bonds, or ten-year government bonds, but they are going to pay you an interest rate that is less than the inflationary rate. That reset button happens every month the CPI number comes out, and I think this is what's very positive for gold.

And now we are in the second half of the year where we start going to the love trade, where ... First starts off with Ramadan, and then we're gonna have an Indian wedding season. Indian season of delights, like our Christmas, and then they have another wedding season, and then we're gonna have our Christmas. So if we get a great run over the next six months for the price of gold, based on the demand coming out of Chindia. China and India.

Frank Curzio: It's interesting too, because I know you always look at the micro-part, right? And when we see this, it seems like gold should be

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moving hard in the micro, but also on the macro. But let's talk about the micro, too. We just talked about China and India, Chindia. But another thing that I've been reading and hearing so much, even from guys like you, which you write on your blog, Frank Talk, is the rebalance of the GDXJ. Which was a huge story for the past month or so because so many people saw this opportunity to sell junior mining stocks, and it seems like you're seeing it as a huge opportunity to buy some of these select names. Could you talk about the rebalance and what it means? Because it seems like it was such a big deal, and ...

Frank Holmes: Sure, because it's been massively, Frank, massively disruptive. Last year when gold ran ... The gold stocks put on a terror. This year the GDXJ had so much inflows. There's hardly been any money going into active gold fund managers. We're active gold fund managers, and we'll outperform it. It doesn't matter. Everyone wants just to trade ETFs. The GDXJ attracted about five billion dollars over the past twelve months that normally would go to active managers who were making decisions on grade and production and returns on capital. This is just an index buying market caps. They found that they were gonna own too many companies over twenty percent, and they made a reversal, a very big pivot move, that in six weeks they're blowing out three billion dollars of the junior gold stocks. That's impacted Australia, and it's impacted Canadians. They're buying the senior gold producers with that money.

The junior gold producers are all being orphaned and so many of them had record profits. I love, I just love when I see revenue growth on a per share basis because many of these of these junior companies have destroyed that ability. Klondex has been a great performer. It's revenue by the end of March is greater than the last four quarters. It has ten million dollars free cash flow. It had record caps increasing production. Wesdome. We can take a look at several of these companies that have big discoveries and have what they call 'high grade deposits' in production. They've all been just tarnished by this sell off. I know in interactive funds we have over forty-four million shares of Klondex and it was up to seven and change and it got knocked in half all because of this rebalancing.

Frank Curzio: That's incredible too. You talk about junior miners ... You're model driven, you're data driven, you're focused. There's one thing that may confuse readers, where we say junior miners, there's so many of course, thousands that don't generate revenue, but you said junior miners and also talking about these exploration companies that some of them are generating revenue, right?

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Frank Holmes: Correct. Oh yeah, there's so many junior gold mining companies that produce from fifty thousand to a hundred and fifty thousand ounces of gold and are very profitable. They have some exciting exploration and future growth opportunities and we see then they get bought out. The El Dorado's of the world will go buy someone out strategically. Gold Corp has been making acquisitions and I think things like this provides great opportunity. New company was called Leagold, whose chairman was Frank Giustra, and it's way undervalued. It wasn't part of the GDXJ but the fact that everyone's getting hit in the GDXJ, it creates a sentiment. A negative sentiment. And a lot of people do not know why these gold stocks have been punished and just for letting your listeners understand, this is a great buying opportunity. Back up the truck because these stocks are going to surge. I think some of them like Klondex have already jumped to twenty percent off its lows.

Frank Curzio: That's good advice. I wanted to ask you about really quick, because I know you probably don't talk about this much, but you're seeing what's amazing is how gold stocks, gold price kinda steady, gold stocks pretty much underperforming, but then you have something like Bitcoin that's completely outperforming. Is there a sentiment you're seeing? Maybe from the institutional investors that you talk to. Are people using that as a replacement for gold? Or is that more about technology? Is that more about central government? I mean, it has almost the same thesis but you're seeing it move so much, I don't know if that's replacing ...

Frank Holmes: The crypto currency phenomenon, Frank, really has impressed me. I went to the Marriott Hotel last month where they had the gold conference, the gold show. It really shocked me because it was more intense than when gold was at nineteen hundred dollars. It was packed with the blockchain, crypto currency, Ethereum, Bitcoin. And the crowdfunding that is substantial and massive, is outside of all regulatory. It has nothing to do with the legal process of the FCC and the Canadian government set up for crowdfunding. This just happens all on its own. The numbers are big and I was trying to understand it better.

Then I went down to Ted Talks and Ted.com. Ted.com has two million people a day from a hundred and eighty countries download and watch those eighteen minute educational video clips. What I noticed was that then these TedX, which are smaller cities doing these Ted Talks, that the past three years there's been presentations all over the world for the very educated people and the very curious people that have one to these places and there's been on Bitcoin, Ethereum, crypto currency, blockchain

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technology, how it'll change the stock exchange. How you'll be able to buy a stock and sell in one hour. You'll be able to trade twenty-four hours a day. It'll uberize what we call the stock exchange as it is. It'll make it easier for real estate transactions, et cetera.

It's a big event. There've been a lot of educated people outside the normal stock buyer, mutual fund, ETF buyer. I think it's for real. I know thare's a new company out, we've participated, called Hive. It's the first of it's kind where they have the energy behind unlocking and locking the blockchain technology and it's extremely profitable. Fifty percent profit margins. That'll be the first company really to play in this space. Otherwise it's another world for trading these coins.

Frank Curzio: Yeah, it is pretty crazy. These are supposed to be alternative currencies, but when you're seeing twenty, thirty percent moves in something like Bitcoin, it gets a little crazy doesn't it?

Frank Holmes: Well what it's really saying, if it's true that only twenty-one million coins in the life of Bitcoins will ever be issued, if that's true, then it's suggesting, based on a hundred and sixty trillion dollars of global debt, that Bitcoin can explode on the upside only because the other currencies are going to devalue. So if people are doing transactions ... And the other thing that really shocked me is that you can buy your surface computer from Microsoft with Bitcoins. You can create fractions. So if this is trading at say, three thousand dollars, you can turn around and I can give you thirty cents on apps. I can send you money back and forth all over in Bitcoins in fractions.

And then there's the thing that really surprised me on the fluidity. So it's not just hackers and drug people, they always get a negative connotation towards that. You can buy Dell computers. There's many companies and vendors that are taking Bitcoins for their service. I met a lawyer that used to be a coder and then became a lawyer. A specialization in technology lawyer. And he's been paid for the past six years in Bitcoins. He's very wealthy, he doesn't have to work.

Frank Curzio: Wow that's incredible. I got so many topics. I love to talk to you Frank, we can go anywhere with this conversation. I wanted to get your thoughts, something that you wrote about on your blog too, before I get some really big news that's really exciting for you. I want to talk about China a little bit. A place where so many have mixed opinions. You have guys like Chanos who say it's gonna collapse, the numbers are fake. Others talk about the amazing demographics, which include over a hundred middle class

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shoppers. Over four hundred million millennials who love to spend money on gadgets, travel, experience. With all the fear out there, your China fund, which you have, called China Region Fund, has been a major out performer the past twelve months. Could you talk about China, demographics and a little about your fund.

Frank Holmes: Yeah. If you're negative on China and negative on the Clinton's and Trump, and you're negative on both, then the New York Times loves you. I think that the channel that is always negative and trying to put shortness in China makes it basically as remote from being attacked by the New York Times. That's just my though process on that. I think that what you have to recognize is that real estate prices in U.S., in particular in the west coast, from Canada right down to the U.S. have been on the tear and quietly under Obama the administration pushed through a tourist visa, ten years for Chinese residents.

The math is so compelling when you look at demographic and the macro basis. There's a hundred and ten million Chinese middle class people and there's ninety-four million American middle class. So only because they're lost in a sea of one point four billion people, China now has more middle class people than Americans. They've ignited global tourism and trade. That's been a big benefit to our JETS ETF as it has seen that global trade and tourism. You also see American Airlines and doing strategic partnerships because that's where the growth is.

But that ten year tourist visa was very significant. I was just recently at the salt conference at Vegas, at the Bellagio, and twenty percent of the residents there are Chinese tourists. You're seeing, when you go down to the New York Stock Exchange now, you'll see nothing but Chinese tourists wanting to get photographs and selfies in front of the New York Stock Exchange because they all love America, and the epicenter of capitalism and free-market is in the New York Stock Exchange. You're seeing this huge change.

I'm much more bullish than say a Chanos. They're will always be bad stocks and bad people in the world. From the U.S., it doesn't matter, we have our Madoff's of the world. But to make one gross generalization is always an air ball that he's throwing up.

Frank Curzio That makes sense too. To have an opinion on the whole entire region when they're all pockets. Let's get to that really quick. What do you look for to invest in these companies because it requires a ton of due diligence, it requires you going there. And even a person like me, who's went to China, tried to find the right

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companies. A couple of them did well but there's also two of them that I shook the guys hand, shook the CEO's hand, visited their assets and it turned out to be fraudulent companies. So how do you do the research to buy the best companies? Just take in the largest ones with the biggest growth? What's the methodology behind it?

Frank Holmes: If you can get the big four accounting firms, that really helps. You get the BDO's, the accounting standards, and the qualifying is much better. I think that that's a very big start. Really, there are so many Chinese companies now that are substantial, that are ADR's. There's a Chindia ETF and it's half Chinese stocks, and half Indian stocks. But they're only ADR's and it's out performing the S&P two to one!

So all this negative in the narrative on China, but it's out performing the S&P. So there's something else that's more positive, constructive and I call it 'The Wisdom of Crowds' by James Surowiecki. That wonderful book. The crowds are saying something that's positive, just like all the negative news on Trump, and the stock market goes to new highs. 'The Wisdom of Crowds' is saying something else is happening.

Frank Curzio: That's good advice too. Being contrarian as well. Once again, we're talking to legendary Frank Holmes. CEO. Chief Executive Officer. Years of global investing. Good friend. Frank, let's get to the fun stuff. I know you're really excited about this. On June 29th, you're going to be ringing the closing bell on the New York Stock Exchange because you're going to be launching, I believe it's your second ETF. The first one, you just mentioned, world famous, U.S. Global JETS. First ETF. But this one's a new one. Tell me about it.

Frank Holmes: Yeah. I'm very excited Frank. I launched JETS because I was doing all this global travel and I found that they were making so much money with the cost of tickets and everything else. There's no product to buy. That was my first snap at it. But my real expertise, and what I'm known for, is gold. I've written books on it. I've created a quant fund to look at gold stocks and create a very unique portfolio structure that is dominated by three big royalty companies that re-balances every quarter because when one out performs the other, what I've found is that they have more stable revenue growth, more stable price to book growth. They fall less and they surge the same. They have a royalty in all the juniors so it's a way to play indirectly in juniors.

Then we use another series of quants of looking up the most undervalued stocks and I found that the lowest SJ&A revenue,

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stocks that exhibit far better performance. Higher operating cash flows, enterprise value. You pick only the cherry-picked best, and you put together a portfolio of twenty-eight names. And we found that if you went to thirty-five, forty, fifty names like GDXJ, sixty names, you don't get the performance. It just becomes an index but with smart data, intelligent quant approach to this, we outperform that GDX and GDXJ ninety-five percent of the time in twelve month periods. So very thrilled to be able to give a product to the public if they want to trade gold stocks. They don't want the active manager. They want to have the ETF business, the more superior product. I put eight thousand hours of research into testing it.

Frank Curzio: How many hours was that?

Frank Holmes: Eight thousand hours.

Frank Curzio: You know, one of the things that I saw, in a prospectus-type thing, you're looking at the highest revenue to employee. Is that a big a part of the model since that's ... Again you're a model driven guy.

Frank Holmes: You see that those that have the highest revenue per employee have what's the called the highest efficiency ratio. They perform better over time. They're just getting more winning, rolling quarters. And just like the movie, 'Moneyball', we applied the 'Moneyball' concept to this ETF. We took our intuition of what made us winners as active global fund managers. We've won the most Lipper awards and Morningstar awards, et cetera.

We said, "What factors would the quants look at, and how do they relate to it?" So it is an important factor. Also, they don't look at any discounts. They don't care about five percent, twelve percent discount rates. They just care about price to book value. Whereas most of the gold fund analysts, that are out there pitching deals and ideas, are all talking about, "This is a cheap NAV versus the other one." Et cetera. They're not getting fund flows in those stocks because they're looking at rising price to book. And if you look at Amazon as a great case study, Amazon has rising price to book value and rising revenue one quarter over four quarters, continues rising. And it trades at a much higher multiple.

Frank Curzio: That's interesting. Because even when you're looking at revenue to employee, and I know that you've stated this too, we talk back and forth in emails, you have a lot of royalty companies. But also, those are companies that do have very price to books, right?

Frank Holmes: Correct. And every time they do a financing, like the buy last year.

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[Gorinko 00:34:09] raised a billion dollars in twenty-four hours to buy Glencore. Immediately deployed that and had a free cashflow coming from Glencore's assets. When you look at the financing of it, it increased the price a buck because it was done at a premium.

Frank Curzio: That's incredible.

Frank Holmes: The stock world and the fundamental value approach loves rising price to book values. The gold stocks are always having big breakdowns so they can exhibit that as an important factor to attract stable money. That's one reason why we looked at that. We looked at eighty-seven different factors and then we recreated some of our own factors to try to relate to our own gut. Picking winning stocks and we found grade is important. We found balance sheet leverage is important as testing factors. We think this is just a phenomenal product that's very cost efficient. Very tax efficient. It's called Go Gold. It's GOAU.

Frank Curzio: Now Frank, I have to say, which is amazing, because when it comes to you and your company, I believe this is the second ETF. You have funds. But you do things much differently than the rest of the world. The rest of the industry. Where most people create ETF's at the top of markets. Where you, even when you look at JETS, it was more mid-2015. Very out of favor companies. Before Buffet got on board. Everyone hated the airlines. Now you're doing it again. How is it that when it comes to demand, and even talking about this product. Gold's kind of out of favor when you see the rest of the market go into highs. But yet, this just seems like a great time to start this when we always see these things getting started at the top of markets, during bull markets. The worst times.

Frank Holmes: Thank you for the compliments. But I'm just curious. I'm really interested to see how our world changes and how to be relevant. In the JETS, I learned a lot from the JETS. ETF. The structure is very important, because the four big amigos in there, that are the four big airlines that Buffet started buying. I kept saying that Buffet will buy these. These airlines in America have a moat around them. You know Southwest Airlines return to investor capitalists? Thirty-six percent. It's just remarkable and it said forty-four quarters of positive returns. When you look at those types of math, guess what? Last year everyone was negative and then Buffett invested ten billion dollars into those four airlines. So I feel really good that we were able to identify what the factors were and we looked at going through bankruptcy. Not just picking the stocks right. It's the portfolio construction. It's done everything it said it would do. It's out performed any other index that used to be covering that space. We're thrilled we bought it and I'm just really positive about

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GOAU.

Frank Curzio: Yeah, it's great. And you're right about the airlines. They're so incredible. They're still trading at huge discounts to the overall market. They're growing faster than market. Like you said, the free cashflow generation is incredible. I could picture Buffet continue to add to these positions going forward. Based on his methodology, with these guys performing.

Frank Holmes: Correct. And you have to fly. Two million Americans fly a day. If they're not flying, the economy's not doing well. All negative news that's came out in the airlines, is actually positive for us as travelers. They need to respond and start becoming kinder and nicer to us. They have, basically, an oligopoly on travel. With that moat around it, it's just going to continue to make lots of free cashflow. And then this recent shutdown of Qatar, which is hurting the airlines by skipping over Europe and landing right in America. They can't fly over Saudi Arabia, and there's all this drama over there. That just makes the U.S. airlines that are flying to Europe, then going into the middle-east much more beneficial. They just do better. They get more flow.

Frank Curzio: That definitely makes sense. So the U.S. Global GO Gold and Precious Metals Miner ETF, the symbol's going to be GOAU. Now you're ringing the closing bell on the New York Stock Exchange on June 29th. I have one question for you. Are you going to be wearing your Spurs jersey when you ring the bell?

Frank Holmes: Am I gonna wear my Spurs jersey. If I can get it done it gold.

Frank Curzio: All right. I gotta follow up with one more question because I know it's a tough ...

Frank Holmes: It sure works. It's black and silver, I asked him, "Can I do it in Gold and Silver?"

Frank Curzio: I gotta ask you one more question about basketball because I know you're a huge fan and you're a season ticket holder. Tough loss, I know Kawhi Leonard got hurt last year. What are they gonna do to compete with these super teams now that it seems like even Cleveland is going up to Paul George and everything. Is it just same story, great coach and they'll compete. Or do you think they're actually going to go after a few people and try to become like one of these super teams?

Frank Holmes: They need more depth. They clearly need more depth. They're busy working away on it. RC Buford has demonstrated his genius

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in finding the Tony Parkers, all these great athletes they have to go and hunt for. Just like stock picking. You have to go hunt for good stocks.

Frank Curzio: Definitely makes sense. Well, Frank Holmes, listen. I'm a huge fan. I know how much you care about your shareholders. You write all the time. You love what you do. But more importantly, I love the fact that you're creating ETF's to benefit the shareholders. Seems like you do this right at the bottom of the market where it's so easy to sell these things and have so much more interest than the top of the markets.

Frank Holmes: The timing couldn't be better with GDXJ blowing up.

Frank Curzio Yeah, and I definitely agree. I know this is going to do well. So guys, definitely take a look at this and Frank so much for joining us on the podcast, and hopefully we'll talk soon.

Frank Holmes: All right. Well, have a wonderful summer. Take care my friend.

Frank Curzio: All right buddy, you too.

Okay guys, great stuff from Frank. Let me know what you though of Frank at CurzioResearch.com. That's Frank at CurzioResearch.com. And be sure to check out his new ETF. And watch him. New York Stock Exchange, at four pm, he's going to be ringing the closing bell. That's Wednesday, June 28th. That's really cool. He did give me that invite. I'm actually thinking of going. That'd be cool, ringing the bell. I've been there once before, for Humana Gold, actually. I don't know if I told you that story. Jim Kramer was supposed to go and he couldn't make it.

He was like, "Frank, do me a favor." I was working across the street. I was working at Wall Street. That's where the Street.com headquarters are located. I walked across the street, hung out, had breakfast. Amazing experience but I would love to do that again so I'm actually thinking about it on that invite, which is really cool. But guys, be sure to try it. I love Frank's work. Someone I admire very much who's both a quant guy, a value guy. For me, I just love talking to him as an analyst because he's brilliant. I feel like I could always learn something. You can tell.

I was fortunate enough to spend a lot of time with him, especially on a couple recent site visits. One which was to the Boeing manufacturing facility, which was really cool. It was a three hour trip because we were at Vancouver at the time and it was in

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Everett, Washington. I spent three hours sitting next to Frank, just picking his mind. We talked about stocks. How to analyze them. His methods. Really cool, someone I respect very, very much and someone I know who loves his job and definitely cares for his readers and his clients. And I mean that with a lot of respect. In this business, sometimes you don't see that and Frank's a great guy.

Really cool stuff. But again. Let me know what you thought of that. This podcast's about you, not about me. Frank at CurzioResearch.com. Now, an educational segment and it's on sentiment. Something that's very, very important. You hear this being mentioned all the time. Is the sentiment negative. Is it positive. You usually follow it. It's good to use techno analysis when you're seeing stocks break through certain levels and some times sentiment goes from negative to positive. People follow that and a lot of people usually, especially technical, they want to see those up trends and that sentiment change sometimes. Where things are so bad. It's so horrible and stocks beaten down. And then when they report a good quarter all of a sudden sentiment changes. And you'll see it break out a little bit. A lot of time traders use that as a platform to jump on board and go higher.

When you're looking at sentiment, you also have to be really careful. You see it where, especially on T.V., where you have stocks that are, especially when they report a good quarter, and this goes for Nike, that's the company that I'm going to break down for you around sentiment and how to play this. Because with Nike, it's a company, again, I highlight the ones that I've been wrong on, but Nike's one that I've been very right on. And in early 2016, I remember they reported an unbelievable quarter. It was just through the roof. Everyone was going crazy. They increased their dividend, Nike. They raised their annual payout by more than fourteen percent. They're going to buy twelve billion dollars of their stock by 2020, which amounts to eleven percent of their companies total shares. And just the numbers that they reported. Everything was at record. Sales were at records. It was great.

I remember watching Fast Money. And I started getting very negative on Nike, because when I looked under the hood, the buy backs ... Just looking at how they were manipulating earnings at the time ... Which is perfectly legal. It may sound like they're doing something illegal. But when I looked at their earnings and saw buy backs, raising dividends, and just different ways that they were increasing, they were adding four, five, six cents to their earnings. Which is the reason why they beat the last two or three quarters. I

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felt like they were masking a lot of their problems. And that's why they just picked the perfect time to announce that huge buy back. I think the stock went to sixty-four.

And I remember watching Fast Money. And these guys loved Nike at the time. I don't even think they were talking about it when it was fifty-seven. When it was sixty-four, they loved it. All time high, even though it was trading at the highest valuation I've seen Nike trade at, probably in decades. Maybe twenty, thirty years. And for me, when looking under the hood, I saw that this can't be sustained. They're not really pointing great numbers. They're beating the estimates mostly because buy backs and spending and being able to cut in the right areas. When I saw it, it wasn't a pure beat. And they were supposed to be killing it. This was the time during Olympics, and they had so many events coming up that were going to great which were not one time events. I think it was the Euro World Cup and stuff like that. Just events that they were talking about. They were supposed to do very, very well that don't come around every year but maybe every two years, every four years.

So the fact that sentiment was so positive on the stock, everything was pointing record, blow-out results. That really sealed the deal for me. When I see on CNBC, when the whole entire world ... A lot of those guys are traders so they're gonna love stocks at the top, and they're gonna hate stocks at the bottom. They're gonna hate stocks when things are horrible. They're gonna hate IBM right now, they're gonna hate different stocks like that. They're gonna like Tesla right now. They're gonna like the [Fank's 00:45:43] stocks right now. It's just the way traders are. And that's cool. I'm not ragging on them at all.

But sometimes as an investor, when you're sitting back and you're watching a stock at an all time high and you're watching every single analyst that comes on T.V. tell you that, "It's an amazing core. This is awesome. We own it. It's great." I can tell you, nine times out of ten, if you sell it you're going to make money. And it's hard to do. It's really, really hard to do. Because the whole world loves it. Everything, your programming, your brain. Wow. This is just a great quarter. Everything's awesome. It's so difficult to do. And you have to be careful, because if these companies like Nvidia ... Nvidia won sixties insane. I know how great Nvidia was. I told you guys how great Nvidia was. The best chips in the entire industry. Getting into the automotive industry. Just an amazing company. At 105, 110, I think it's amazing. At 160! So when momentum carries these names, and keeps going, you gotta be

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careful. You don't want to get run over by a truck.

But with Nike, it just felt like it kept testing this level, not being able to break it. And the fact that everybody loved the stock. There wasn't one analyst that had a cell rating on it. Just came out, 2015, I believe was the best performing Dow component. That's when I wrote an issue and said you should short the stock here. I think it has at least a twenty percent upside and it could be the worst performing Dow component. And it turned out to be right. I believe it was the worst, if not the second worst. I'm pretty sure it was the worst. But it fell twenty-one percent. And it wasn't that, "Hey, let me pack myself on the back and this is great!" But it was just amazing. What triggered my investment my most was I saw this happening. I did a couple educational segments, but what triggered it and made me write about it and short it was the fact ...

Using the people on Fast Money and T.V. all talking about, "It's amazing. You have to own Nike. They kill everybody in the industry. It's awesome." And then you had so much positive sentiment that sometimes you look at it and say ... Just like Google. Google, I told you to sell not long ago. The stock has been coming down. There's no one in the world that I know that doesn't like Google. I don't think there's another analyst that could put a buy rating on that stock. Finally we just sold, someone lowered their rating. They cut their rating on Google and the stock fell. And it was such a big deal. How many analysts? Twenty, thirty probably cover the stock on the institutional side. The research end, when I'm talking JP Morgan, Goldman Sachs and those guys.

But it was such a big deal. It was the big story of the day. One analyst. One analyst downgraded the stock. My point is, when you see sentiment so much leaning towards one side, a lot of times you could do the opposite and make money and it's hard to do like I said earlier. So Nike fell. Now you watch CNBC and they're going to report in a week from now. I think I had wrote the date down here in a bullet. June 29th. So June 29th Nike's going to report. Now, all of a sudden, now that the stock's around fifty, sentiment's horrible. We had a guy I watch go on T.V. and say Nike's in big trouble. They have too much square footage and are one of the companies that have to cut the most. We didn't hear this when then stock was at the high. We're hearing at the low. Now the guys on Fast Money, they don't like it. The analysts are coming on. They're not too crazy about Nike now at fifty. They loved it a sixty-four. They hate it at fifty. Which is kind of funny.

But things you have to monitor as an individual investor. Play close attention to stuff like this. They love that it's sixty-four. And

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they hate it at fifty. But doing the opposite of what the sentiment is. Right now, everybody hates Nike. They're expected to report a horrible quarter. Yes, we had Sports Star already go out of business but you know what? That crushed the industry because so much inventory came on the market and these companies didn't know what to do with it. You could save up for a Apparel General across the industry. Terrible, terrible nine months for Apparel, anything related to Apparel. Other than a few companies who maybe resell inventory.

But looking at this at a whole, if you look at Nike, is it a buy in to the core? I hate telling to buy into the core, but sentiment's so negative and they're anticipating to report a terrible quarter. When you look at the analysts, they brought down their numbers now. So when you see those expectations going in and they're so negative, sometimes it's a good opportunity, even if Nike reports inline numbers or a little bit weak numbers, the stock could pop. Why? Because it's down so much going into the quarter. And that's why you see so many companies that I get this email all the time. I didn't mean to spend this much time this educational segment but I think it's going pretty well. But you see so many times when a company will report block buster earnings and sales and beat every metric and the stock falls by five percent or six percent, seven percent.

People are like, "Why is this stock down?" Well, it went up thirty percent in over the past two months heading into the corner. It's kind of like, buy on rumor and then you sell on that news. And usually the stock will come down after that because they reported a good quarter and it ran up. And then you'll see eventually the stock will come back and run higher. But that also happens on both sides. So right now, I expect Nike to report not so good of a quarter but it's finally reflected what so many people are having a negative opinion on the stock now.

Plus, Goldman Sachs just released a report today showing that Nike is close to doing a deal with Amazon and being partner with them. Almost like a Whole Foods. I've read thirty of these reports ever since the Whole Foods thing and what else could they take over? What other industry can they dominate? But when this comes from a source like Goldman Sachs, you have to pay attention. I mean, these guys have got the inside scoop on everything. I don't care if you hate Goldman Sachs, if you think they're the evil empire, whatever. But they do, they have access to everything.

I read this report. Sounds pretty cool. Says it could increase sales

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tremendously for the company. Three, four percent. Which is a big number. Just by selling directly through Amazon instead of through all those pawners and stuff. And they can sell them at full price, probably. They're not going to have to discount it. They said they're in talks right now. But who knows. Could it happen? I don't know. But I think it's more than a rumor. But again, any positive thing mentioned about Nike right now is going to push the stock higher because the sentiment is so negative on it.

So hopefully this segment's coming across where if you're seeing people so bullish on a stock and the stocks running up into the quarter, be careful. But just remember, when sentiment's so high, and everybody loves something it's a good time to sell. And when everyone hates something, like with Nike, which is the case now, I'm bullish on it. I told you to void the stock. The stock's going to come down and be the worst performer of the Dow. I happened to do that in 2016. But at this level. They're going to have to report a horrible, terrible quarter to really push this stock much much lower to the forty-five level, I believe. I don't thing we're going to see that. Again, it's at the fifty level. Good news today. Nike possible Amazon deal with the Goldman note. But going into quarter, I like Nike since sentiment's so horrible.

So hopefully the segment came across like I wanted it to. Just understanding sentiment. Not only being able to follow sentiment, especially if it changes. You're going to see sentiment change if Nike beats earnings and the stock goes up five, seven percent everyone's going to start loving it again. If sentiment's going to change, a lot of traders will jump on that and that's perfectly fine but right now, when you're playing it, when you see it at extreme levels, sometimes it's better to do the opposite. Hopefully that makes sense because it's a strategy I've used numerous times to make a lot of money for my subscribers.

Okay guys. Once again, many of you are going to be receiving an invitation to join Curzio Venture Opportunities. Open up that membership for about a week, maybe a little bit longer. You should have received the email already. If not you will soon. Mentioned earlier I don't open up this membership often. If you're interested, take advantage of it as soon as you can because, again, it's not going to be available for much longer. You'll see all the details in that email. I'm sending it today. Just had a lot of requests for people to join Curzio Research Advisory. I've become a subscriber, I can't find anywhere. Here's your opportunity.

Also with this letter, there's Curzio Venture Opportunities. It includes private placement and access to just about all my

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contacts. You don't have to be a credit investor to become a subscriber. You're going to have tons of small cap opportunities to buy. To invest in these private placements. You do have to be in a credit investor of a net worth of more than one million and have made more than two hundred thousand dollars annually for the past two years. I think that's what qualifies you. I think we have two private placements. I've probably had a hundred come across my desk. You're not going to see a lot of these. I'm only going to try to get you in private placement where you could make money. Again, everyone's always looking to raise money. I could put twenty in front of you every month. That's not my job. My job is to pick out the one that are great. That I know that are great deals that you could possibly get warrants on. And those are the ones that I try to pass on to my subscribers of this newsletter. But again, you don't have to be a credit investor. That's just one part of the newsletter.

So guys, once again, be sure to check your email box because I'm going to be closing this membership soon. Right guys, that's it for me. Thank you so much for listening. If you're a Curzio Venture member, you just got my latest pick which I truly believe has an incredible upside. I'm gonna see if they read that report and if you're a Curzio Research Advisory member, check your email tonight. I just recommended an amazing company that I spend a ton of time researching. Been crazy busy. That I believe could be the next Amazon. You read my report, I'm telling you you're going to agree a hundred percent. This company is really amazing. And probably is going to grow faster than any large cap company I know of in the world over the next five years. It's really, really cool.

So great stuff from both of my newsletters for subscribers. So guys again, thanks so much for listening. And I'll see you in seven days. Take care.

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