Summary & Transcript

Albert Saporta

1. Strategic Actions and Decisions

- **Contextualize the current market environment as an ongoing, multi-year speculative cycle: Recognize that the current artificial intelligence bubble is not a recent phenomenon, but rather the culmination of speculative trends rooted in post-COVID market dynamics.**
- **Reallocate capital from overvalued technology equities to Latin American emerging markets: Rebalance equity portfolios away from tech-heavy Asian markets toward Latin American equities, particularly Brazil, to capture value in high-commodity-content markets.**
- **Capitalize on Latin American fixed income for high real yield opportunities: Allocate funds to Brazilian debt instruments to lock in real yields ranging between 8% and 10%, supported by favorable monetary conditions and low local inflation.**
- **Execute event-driven long positions in severely discounted mining equities: Target temporary operational or political dislocations in natural resource companies like Vizsla Silver, First Quantum Minerals, and Allied Gold to capture significant operational recovery upside.**
- **Hedge portfolios against imminent credit default events: Initiate short positions on U.S. corporate debt and speculative equity indices to protect against the mispricing of high-yield spreads relative to weak consumer sentiment.**

Executive Summary

The macro investment environment reflects severe speculative distortion, combining characteristics of the 2000 tech collapse and the 2008 credit crisis. Hyperscalers and technology equities present fragile profit margins facing imminent regulatory, competitive, and operational pressure. Executive portfolios should pivot toward deep-value, non-correlated assets, specifically Latin American equities and high-yielding Brazilian fixed income. Furthermore, event-driven dislocations in the natural resources sector present clear asymmetrical upside. Given extreme market complacency across high-yield credit spreads, strategic positioning mandates short positions on U.S. tech and private credit to hedge against pending systemic liquidity contractions.

Key Takeaways and Practical Lessons

Key Takeaway 1

1. **Tech profit margins are peaking: High operating margins among tech giants are unsustainable due to incoming global competition and regulatory pressures.**
    - ***Action:*** **Reduce exposure to overvalued technology equities and allocate capital into undervalued real-asset sectors.**

Key Takeaway 2

2. **Latin America offers superior risk-adjusted value: Latin American equity markets, specifically Brazil, present a historic valuation discount relative to tech-laden Asian emerging markets.**
    - ***Action:* Purchase Brazilian broad-market ETFs to gain direct exposure to commodity leaders like Petrobras and Vale.**

Key Takeaway 3

3. **Brazilian debt provides exceptional real returns: With local inflation near 4% and benchmark interest rates around 12%, Brazilian fixed income offers world-leading real yields.**
    - ***Action:* Invest in dollar-denominated or local sovereign fixed income in Brazil to secure 8% to 10% real yields.**

Key Takeaway 4

4. **Severe headline risk creates mispriced equity entry points: Operational disruptions, such as mine shutdowns or regional conflict, depress commodity equity valuations far below fundamental NAV.**
    - ***Action:* Acquire oversold resource operators with short-term operational halts that possess clear pathways to reopening or acquisition.**

Key Takeaway 5

5. **Private credit distress signals broad credit market risk: High-yield bond spreads are currently ignoring severe macro risks, low consumer confidence, and deteriorating private credit fundamentals.**
    - ***Action:* Implement short positions against speculative credit instruments to hedge against coming credit default spikes.**

TRANSCRIPT

00:45:52:24 - 00:46:17:19

Hi. I'm here with my good friend Albert Saporta. Albert, where are you? I'm in the south of France. On a beach, in central Bay. You know, that's what happens to, ex hedge fund managers that I've, that I've made some money. So, if you take some time out from your suntanning on the beach and chasing women to spend 20 minutes with, with us, we, greatly appreciate that.

00:46:17:19 - 00:46:27:07

All right. I'll. I'll do that. I'll do that. All right. There you go. All right, so if you have a nice day, they will parade behind me.

00:46:27:09 - 00:46:47:22

I don't know, Jared. Maybe we should stop this space now. We're going to get in trouble here. All right, so Albert and I go way back for decades to the 80s. Albert and I first met when I was at fidelity, and he was actually on the sell side. He's run his own firm, out of Switzerland, does some of the best global quantitative research of anyone I know.

00:46:47:24 - 00:47:06:00
He always has differentiated points of view because he's not chasing charts. He's just looking at the numbers. He famously caught the crash in Japan. I think that's when you and I first really bonded. Albert, you've done really well. You've had some great calls, but we're not, you know, as good as your last trade, so let's not know.

00:47:06:00 - 00:47:26:13
Victory laps allowed here. Okay. So Albert is the CEO of Gim Global Asset Management, a London. And he has a global view. So he doesn't have this US centric, maximum view. And we're going to talk about whatever's top of mind for you Albert. So got a big crowd here. Plenty of opportunities. It's a market of stocks.

00:47:26:13 - 00:47:39:23
It seems like there's a lot going on right now. Has a lot of dispersion, which is what you want as a stock picker. So, Albert floor is yours. Go for it. Let's just talk about the world a little bit. What you see going on generally. And then I know you have a couple picks for it. So welcome Albert.

00:47:39:23 - 00:48:04:22
Floor is yours okay. Well thanks a lot George, for, for the intro. And, you know, it's always great to, you know, to talk to you and, and to your, listeners. So, look, you know, I think, you know, people seem to to to be really, focusing on the, you know, on the, on this tech, I bubble, you know, which, you know, which has been, you know, in the imagination of people for the last, the last few months.

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But actually, I think you really have to go back to, you know, sort of the pre-COVID, I mean, Covid first call, the first Covid period when, you know, I think the, the seeds of, this, you know, extreme speculation were planted. So, you know, there was this full Bitcoin story that came, you know, just, you know, became big during covet a little bit before Covid and after.

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And then, you know, this whole thing, you know, went to so, you know, to extreme and then it got deflated, you know, as we all know, you know, at some point MicroStrategy had a premium of 400%. Today it's trading at net asset value. The stock as as, you know, collapsed. I guess Michael Saylor has been, you know, discredited, at least to some extent.

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You know, certainly not the focus. So there's been, you know, sort of, you know, asset liquidation when it comes to Bitcoin. I think we are in this thing. There was also, you know, you might remember, in, in 21, 22, you know, Facebook changed its name to to meta. And the world was going to go to the metaverse.

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You know, this was the great craziness of the time. The, the, you know, there were real estate companies being set up to buy, you know, sort of, real estate holdings in the, in the metaverse, whatever that means. And that's, you know, when, Facebook changed its name from Facebook to Meta, the stock went down 75% today.

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Nobody talks about meta. Same thing happens with, with, the meme, the meme stocks, meme stocks. And I say these things, but you know, this, you know, all these, you know, crazy retail investors in the same way got discredited along with Cathie Wood, you know, all these kind of things. So and now we get, you know, fast forward a few years and, you know, we get not the biggest of, you know, for all the stories with, AI and it's not just AI, but it's AI in space, you know, with space and, you know, sending, you know, people to Mars and, and, having data centers, in space

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and stuff like that. So you combining the greatest, storyteller, you know, Elon Musk with, you know, things in space and stuff like that. I mean, the story couldn't get better and bigger, you know, after a rolling, period of, you know, asset liquidation in some of the most speculative things. And so, I think, you know, you have to look at this as not, you know, sort of, you know, phenomenon that started only a few months ago, but really something that started, five, six years ago in the making of the enormous bubble which you know, and one way to define bubbles is, valuations and stuff like that, but also

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whether it's, localized or global. And today, you know, when you're talking about AI, you know, it's it's everywhere. I mean, I guess you, you know, you could go to, somewhere in the middle of Africa and, and ask a question to some guy, and he's going to tell, you know, wait a second. I'm going to, you know, check.

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ChatGPT. So, you know, we really looking at the global phenomenon, and I think that's really what define, you know, what defines a bubble beyond, you know, the, the valuations and, and the, of course, that I'll pause here for a second, you know, if you have some questions or comments. But, you know, you know, seeing the historical context of the, the last few years is important.

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So, Albert, one of it's fun is to walk down memory lane is we know history doesn't repeat itself, but it rhymes, in an interview the other day, I actually dug up. You remember this quote? It's from. It's hilarious. You see what certain people are doing or saying certain periods of time. And it's what they call a tell.

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And there was a quote from February of 2020 from Nancy near me, and you wouldn't remember the name, but you might remember the quote. She was running the Warburg Pincus International

Growth Fund, which I think was the best performing fund or one of the best foreign funds the entire world. It was up like only 200% in the prior 12 months.

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And the quote was, and it's, you know, certain people say certain things at certain times. It tells you all you need to know. March of 2000. This is February of 2000 months before the peak. I'll say it slowly. I'll say it twice. If it's not tech, it's dreck. If it's not tech, it's dreck. Meaning it's shit, right? In other words, it was all tech all the time.

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And so by definition, you had everybody in the pool, as you said, captured the imagination of everyone. And, you know, history doesn't repeat itself, but it rhymes. And it just feels to me that we're in a pretty similar period of time. I mean, you see, derives, by the way, if you start dressing like Dan Ives, I'm not going to talk to you anymore with the pink pants and the crazy green jackets, okay?

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You know, he quits to go start his own fund. He's worth for a bit, see things you don't see at the bottom. Okay. You know, you see Jensen Huang running around signing his name on, boosters of women, you know, on and on and on. I mean, it's always hard to pinpoint exactly what the topic is and what will cause the top, but the valuation.

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So the conditions, the necessary but not sufficient conditions for the top. And I'm of the belief that we are at the top, whether whether it's, you know already whether it's June of oh, or it's September or of 99, I don't know. But as I was saying to David Caskey earlier, things go parabolic like this. They don't resolve them.

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So.

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Just by going sideways, you know, I mean, I think you can come up with kind of it's a very risky environment room with tech right now. The earnings, it was the tech bubble. So big, so much bigger than than the dotcom which you and I live through that I think I think that the fallout is going to be much, much worse.

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Any thoughts about any of that. And you know and I think yeah. Well, you know, I think one of the one of the things that you hear all the time is, you know, it's different this time because the companies are making a pile of money. Okay. You know, you look at Nvidia and you look at, Microsoft and all of these companies are making money, which, you know, and people point out that, you know, the.com, era, you know, you had all of these, irrelevant companies which were coming to, to the market and they were not making any money.

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The point is, actually some of the biggest companies, in terms of market cap, are not coming to the market like space. Anthropic. You know, OpenAI, these companies are not going to make any money for the, you know, for the foreseeable future. And they're coming, you know, with market caps of not, you know, a hundred million, 500 million or whatever they come coming with market caps of trillions.

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Okay. And so, you know, this, this whole thing that, you know, companies are highly profitable today. And so that's different from, you know, from the 2000 era. I think that's you know, that's, you know, completely wrong. The other thing as well is, you know, I think you will agree that, if there is no bubble in terms of valuation because, you know, to some extent you could argue that Nvidia today is cheaper than it was, you know, three years ago.

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But there is a bubble in profit margins. And so, you know, you have these companies that have, you know, all these hyperscalers and, and, the Nvidia's and stuff like that, you know, monopolistic type margins, 70%, 80%, you know, net, operating margins, this is the sort of thing that you never see. I mean, or if you see it, it's not going to be sustainable.

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I mean, it's economics one on 100%. So, you know, and, you know, a few days ago, actually, actually a couple of days ago, there was this, news that came out that, you know, some Chinese company, moon moonlight or moon shot or whatever came out, you know, as, as, as, as an AI, you know, contender two weeks ago, there was a story that the I mean, there's going to be a mega IPO in Hong Kong for, you know, for drum, champion, Chinese champion.

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And, you know, there's this saying that, you know, when the Chinese comes in, the profit walks out. Nobody's got any clue of what the Chinese are doing in that space. But we know that whatever the US is doing, the Chinese are doing, you know, maybe better and if not better, they're doing it considerably cheaper. So, you know, these margins are at 60, 70, 80% is going to either attract, regulation, if it's monopolistic or it will attract competitors.

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And, you know, even in the Nvidia space, you know, they used to be on the Nvidia. Now you have Nvidia or Broadcom. You know, they have a bunch of different players in the Dram. You're starting to have also a lot of different players. So you know this if there is no bubble in terms of valuation there is certainly a bubble in terms of profit margins.

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And these companies are not making, you know, sustainable profit margins. Very well said. You and I could talk hours on this particular topic. Time is limited though. So and we want to help the folks so I'm sure with that in mind, you have an idea to so forth, you know, and again, the folks are not day trading and you're an investor too.

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So, you know, we're looking at six, 12 months. What would you what's your idea and idea to you tell the folks to be looking at what's interesting to you. All right. So the first thing is, you know, if not shorting, like you like to say, I'd like to watch. So, you know, I wouldn't be in people, I wouldn't be I wouldn't be involved in, you know, in.

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Oh, I know you coined the term, not me.

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Albert, if this is a family rated program. So be careful. So. So, you know, I wouldn't be involved in, you know, in these, tech space. You know, obviously, if, you know, you're a professional investor, I think there's lots of opportunity on the showing side. Now, I'm sure you you, some of your speakers have talked about, you know, gold and real assets and stuff like that.

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And I'd like to, you know, to maybe on the long side to focus on some of these things. I have one, you know, one shot that I want to share. If I can, if I can do that. Hit the screen share button and let's see what we're doing here. So, that's what I'm doing.

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And, hold on a second.

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Excellent. Here we go. Okay, cool. Okay.

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I just bring it up. There we go. And bring you. Okay? Okay. So can you see that I got Brazil up there now? Is that what you want? Yeah. Can you see that chart? Yep yep yep. Looks great. Yep. Okay, so this is, I mean, the white line is the, the white line is the relative performance of, of Latin America versus Asia.

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And this and the orange line is the CRB index, okay. Commodities. And so since over the last 20 years, I see that there's a very, very tight correlation between the relative performance of Latam versus Asia. When commodities go down, Latam underperforms Asia and vice versa. And what you can see is that, you know, since 1920, there's, you know, there's been this huge ramp up in commodities.

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I mean, you know, people would say it's a super cycle. And, you know, we tend to agree. And Latin America has actually underperformed, Asia for, you know, Latin America is basically at a low relative to Asia when, when the commodity cycle, you know, is, you know, is way up. And one of the reason behind that is that Asia today, the, you know, 30%, 35% of, of, you know, the, MSCI Asia Index is technology.

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You know, it's the same stocks that are going up like crazy in, in, in emerging markets, as you would see in the US. And so that's why Latin America, which doesn't have much of a technology content is is trailing. So you know, I think one, you know, one of the ways to, to you know, to, diversify away from, you know, technology and, and even, you know, the sort of emerging market risk that you may have in the index is to go into Latin America specifically.

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You know, I think that's, you know, that's a great trade. And within Latin America, Brazil is certainly, you know, the one market which is, you know, it's historically very cheap, you know, in terms of valuations and, and it's, it's one of the markets which has the highest commodity content, in there. So, you know, when you buy the ETF, the Z, ETF, you actually buying Petrobras and Valley, you know, which are two great commodity, producers, you know, steel and and petroleum.

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And, and, you know, I would say this is, you know, Brazil is probably one of, one of the greatest, you know, place, I think, to diversify away. And I would also mention for those that can do it, you know, to buy, to buy, fixed income in Brazil, it's got the highest, real rates.

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Inflation is around four, 5%. Interest rates are around 12%. So you're getting eight, nine, 10% in real terms. Which are the highest? You know, real terms, across, major currencies. And actually when you buy, you know, the ETF, you, you're buying it in dollars. And so even the Brazilian, real appreciates, you know, you would benefit from that.

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So that's that's one, you know, one idea which I really like. Brazil. Other other situations which are like, I don't know if you, if, if you see that screen here, but, you know, I tend to look at, event driven type situations and, there are a number of even driven situations in, natural resources in, in miners.

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The first name that I want to, to mention is, a company called Vizsla, silver. So it's say on the screen here, and the top chart, the white line is visualize, silver. The second chart is, the silver mining ETF. So you can see that and the say on the second part of the graph is, the relative performance of Vizsla versus, versus silver.

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And you can see that, in at the beginning of 2026, these lower silver, share price collapsed. The reason why it collapsed is because ten of their employees very, regrettably, got kidnaped. This is a, majors, silver mining project in Mexico. And ten of their employees got kidnaped, in Mexico, and 2 or 3 of them got killed or something.

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I mean, it's a horrible story, but, you know, I mean, Albert Abraham, Albert, does this mean you and I can go visit the mine yourself without just having, having been there? I haven't done any company

visit on this one. So. So, Albert, actually, if people are interested, the audience Abu organizer tours, we can all go with him to visit the mine.

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All right, keep it. Actually, I did, you know, a few years ago, I went to Mongolia to visit a mine where there was a, you know, an event going on. So crazy, was one of my best rate. But anyway, so, I haven't gone to visit the mine, but basically the all the operations at the mine were stopped for for a while, and now the company is doing whatever they can to, reopen the mine.

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And so I believe, you know, this is a great plan as well, both on silver and then on the, you know, on the mine reopening again, you know, once they sold out, you know, but I guess, you know, when a lot of these mining companies, when, you know, they operate in very dangerous location, that's part of, you know, that's part of the business.

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And these type of things do happen. And when they do happen, you know, I think they do create opportunities. And, you know, you can benefit, you know, two ways, you know, silver is done quite a lot. Silver mining stocks are down quite a lot. And this one is done a lot more because of a specific event, which I think is going to work itself out.

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And there are two other stocks, that that share the same kind of kind of things. There's, first quantum, minerals, which is, which is, copper major copper mining, company. And they have a very big mine in Panama. And that mine has been, stopped for, you know, about two years ago and, for environmental, issues and issues which are appropriate to Panama.

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It's a it's a political problem, basically. And now they work. They're working to reopen the mines. The stock as, as you know, did collapse at the time is starting to work itself up. But again, you know, if you're delivering in, you know, natural resources, that mine in Panama is like 5% of, 10% of Panama's GDP.

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There's a great vested interest in reopening the mine. They will reopen the mine. And when that happens, you know, first quantum mineral will will make up for the, you know, the losses in that sector. Same story with Freeport, Freeport Marine, which is a major, you know, copper and gold mining, company there. They have a gigantic, mine in Indonesia, which was also closed for, you know, the, some, some people, died.

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There was an accident there. They closed the mine, the stock collapsed. You know, stock will go back up again when, you know, as they work to reopen the mine to, you know, to full capacity. So, you know, the kind of event, each type of, of situation I think is very interesting, a pluses. And then this one, you're going to laugh, but I think it's a, it's a great situation.

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A company called Allied Gold, it's so listen to this one. This is, this is a gold mining stock listed in Canada. Their, gold assets are in Mali. In Africa. There's like a kind of a civil war in some parts of the country. You know, there's, the Wagner group from Russia that been battling the French.

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The Americans are there. The Chinese are kind of taking over the company. And then LG and mining, made a bid at $44 Canadian to buy these companies. This is one of the biggest mining group in, in China. It's, partly owned by the government. And so the deal is at $44, the stock is trading at, 3031.

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So that's 46% upside on the deal. That's actually could close any time. And there are some regulatory issues. Apparently the government is making some noise that the company is overpaying. But keep in mind that the government is actually a shareholder in this, in this company. So I think there's a very, very good chance that the deal close.

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And that could be closing tomorrow. Actually, the, I think the, the, the longest date, on the deal is the 29th of, July. So in a week's time, they may extend that, but, you know, I think, you know, you're looking at the stuff that could go up 46% just on the, you know, from one day to the next if the deal closes.

01:06:19:04 - 01:06:37:19
In the meantime, the valuations are there. On the bottom is trading at 1.3 times EBITDA and 2.2 times earnings. I mean, this is like one of the cheapest stock in a gold stock in the world. Whoa whoa whoa whoa whoa whoa I was the question is so so so so it is deal falls apart. What's the downside in this stock.

01:06:37:21 - 01:06:56:11
Well downside is so cheap. Is there any that well I mean there's always downside because you know they will be the players that will dump the stock. Sure. And so does the stock go down. But there is a there's actually a very a very similar company trading in Australia called Resolute Mining which also owns gold mines in, in Mali, in the same country.

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And, and actually the stock is trading pretty much in line with the with the Australian Mining Group, except that the Australian Mining group doesn't have a deal attached to that. This one has a deal attached to that. And, I would I would say that the market is applying a 0% probability that the deal will take place.

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I think the deal, you know, I think the deal is a 60%, chance of happening maybe the the. Okay. But I think this is a really interesting, you know. Oh, sorry. So this deal doesn't go through. What's it down to 25 or something? What's the downside? 25. Maybe. Maybe it could go to 25. I, you know, I would buy I would buy the ship out of it.

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This you know, it's a big deal because. All right. So. Yeah. So so so maybe it goes to 2,560% chance the deal goes through. And as you say, if the deal blows up and it goes down to 25 I would just buy more. It looks like yeah I mean it'll be trading at one times earning you know 1.5 times earnings.

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So you know, I think it's a, it's a it's a really interesting situation. And, you know, the spread reflects Mali and China involved. You know, I cannot get any more funky. Well it could you could have Sam Altman involved. That would make it worth, okay. So that's the type of I always get. I mean, to Albert, you never disappoint.

01:08:12:14 - 01:08:32:08
I know no bigger dumpster diver than you. This is the kind of value added alpha that people come for. Follow Albert supporter for more money saving tips. You say so, Albert, even though in the context of, you know, the headline stuff indices, they may be injured by tech blowing up, but there's a lot to do here. You're finding a lot of ideas now.

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No, I mean, yeah, you know the the world is big and there are always lots of lots of ideas. But you know to to be to be to be honest, you know, I think, okay, you can find some of these ideas. There's always some money to be made here and there. I think the big money is, is on the short side, of the US.

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Yeah. You know, and in general. And if, you know, if, if we were right, you know, I think we having a combination of 2000 and 2008, I think they could be credit events and, you know, leading to some pretty, oh goody. So you got to get a double play. You gotta get double play. Two double double one double.

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Okay. So I think it'll be difficult to, difficult to hide in that type of environment. But you know, a situation like, like a, like gold, you know, doesn't depend on anything either the Chinese buy it or they don't buy it. If they buy, the stock goes to 44. Maybe there'll be a haircut at 40.

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If the stock goes down, it's probably one of the cheapest gold. You know, gold mining stocks in the in the world. Sounds great. All right, so, Albert, you're Jim, you don't published research. But this is fantastic. And we're going to have you back on the podcast before too long. So get more. All right. Thank you so much.

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I can I give you one, one last chart which says please, please, please about the about the credit event. Yeah. That's you're going to love this one.

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So this is, you know, blue wall, you know, you know, blue wall. Yep. Yep. Okay. You know, they sell these private credit funds. And so this is a chart of blue. All the white, the white, line. And the orange line is like the inverse of, the inverse of the high yield spread. It's actually the high yield ETF divided by the, by, the treasuries.

01:10:19:14 - 01:10:42:17
But it's like a proxy for the, for for the, for the high yield spread. Okay. And the two, the two are very, very, correlated, except that, you know, since Blue Wall has been has been collapsing, and we know why it's been collapsing because of the crisis in private credit, but actually high yield spreads. I've actually continue to to, you know, become tighter, during this whole period.

01:10:42:17 - 01:11:12:11
So, you know, the high yield market is extremely, extremely, complacent. And if you look at the other this other chart, it looks it shows the, University of Michigan consumer Sentiment Index, the white line. And the other one is again, the same thing. It's the, the, high yield, versus treasuries, chart. And again, you can see that the high yield is based and, and, you know, consumer confidence, consumer confidence, sentiment index is trading at recession level.

01:11:12:11 - 01:11:36:02
It's been like that for, for a number of, euros actually. And the high yield is actually, ignoring, so the higher market is ignoring what's happening in private credit. It's ignoring what's happening in the, you know, in the, real economy. And that's why, you know, one of the reason why I think, you know, we are going to face, you know, a credit event at some point in time, you know, and probably sooner than that, sooner or later.

01:11:36:04 - 01:11:55:10
All right, all right, go back to the beach or whatever. We're going to have the conference next year. You're hosting Central pay will actually go to Central Pay along with the trip to these crazy gold mine. So this is a great idea, Albert. Thank you so much. You didn't disappoint. This is great. Thank you guys. So bye.

01:11:55:11 - 01:11:59:10
I say stay safe. Take care. Bye bye.