Stocks & Stuff

The Seville Report

The Investment Newsletter

$24.99

December 2021

Foreword

Happy holidays, and thanks again for checking out this quarter's The Seville Report. As 2021 comes to a close we're being hit with record high inflation and a new COVID-19 variant. Anyone ready for 2022?

2021 has been an interesting year for us and for our readers. In 2021 we started to look forward, way forward. For the year we decided to not just focus on big names going through momentary declines, but also on companies that could be big names in the next decade. This investment strategy has come with a bit of financial pain, so we thank you for sticking with us. We know it has been rocky, but let me provide a story to explain why we approached 2021 the way we did.

In late 2011, Tesla went on a run from around $20 per share to over $35 per share (this was pre 5:1 stock split). Tesla was the future, but at that moment, in late 2011, it just looked like a struggling car company. After hitting $35, the stock dropped again to around $25 per share, a nearly 40% drop. For investors who held a short-term investment philosophy, a 40% drop seemed disastrous. For investors who believed Tesla was creating the car market of the future, a 40% drop was the equivalent of a Labor Day Sale. The struggling car company of yesteryear is now the leader in electric vehicles, and has the legacy car companies chasing it.

2021 was a year spent investing in companies that could grow into the Tesla's of their specific industries. For this quarter, we've isolated two companies that have the potential and technology to be industry leaders in automation and digital payments.

In addition to our investment recommendations, we get into market psychology and look into why stocks and markets behave the way that they do. We also discuss the Great Resignation and why it was bound to happen. Lastly, we do a shallow dive on inflation. No topic has received more attention by investment related television than inflation over the past several months. We jump into what inflation is and why our current rate of inflation is a problem.

Thanks again for checking out The Seville Report Investment Newsletter.

Sincerely,

Paul Black

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“Beware the investment activity that produces applause; the great moves are usually greeted by yawns.”
– Warren Buffett

UIPATH

PATH

$47.87

UiPath

P/E

N/A

NO EARNINGS

TRAILING

P/S

37.4X

(TTM)

ROE

N/A

NO EARNINGS

(TTM)

ROA

N/A

NO EARNINGS

(TTM)

REVENUE

IN MILLIONS

2019	$17
2020	$26

NET INCOME

IN MILLIONS

2019	$17
2020	$26

TARGET PRICE

$70.00

DIVIDEND YIELD

N/A

INDUSTRY

SOFTWARE – INFRASTRUCTURE

GRADE

C

3 Consecutive Years of Revenue Growth	✓
3 Consecutive Years of Net Income Growth	✗
Dividend	✗
Share Buyback / Share Repurchase	✗
Insider Buying	✗
Passing Stock Growth Driver Grade	✓
Overall Grade	C-

What Does UiPath Do?

UiPath Inc. provides an end-to-end automation platform that offers a range of robotic process automation (RPA) solutions primarily in the United States, Romania, and Japan. It develops UiPath Studio, a platform designed for RPA developers looking to build complex process automations with built-in governance capabilities, such as robust debugging tools, application programming interface automation, wizards to automate desktop or web applications, leverage custom code, and to integrate machine learning models into production workflows. The company also offers UiPath Robots, which emulates human behavior to execute the processes built in UiPath Studio; and UiPath Orchestrator that tracks and logs robot activity, along with what people do in tandem to maintain strict compliance and governance through dashboards and visualization tools. In addition, it provides maintenance and support for its software, as well as professional services, such as training and implementation services to facilitate the adoption of its platform.

Why Invest in UiPath

Whether we like it, love it, or hate it, automation is coming. The robots are going to take jobs away. This like many innovations isn't good or bad, it just is.

UiPath works with companies to create automated software bots that can handle repetitive tasks on their own without human intervention. After spending more than a decade in the insurance industry I know my fair share of repetitive tasks, so I see where a company like UiPath fits into the world today.

UiPath has been around since 2005, but really hit its stride in the mid 2010s by making their product easily usable for people who aren't professional programmers. Since adjusting their offering UiPath has gone on to acquire thousands of paying customers. UiPath has been recognized by **Forrester Research** as the RPA (robotic process automation) industry leader, which is saying a lot. Automation Anywhere, Microsoft, Salesforce, SAP, and Pegasystems are several companies that are either in the RPA business or are exploring entry into the business.

UiPath's management believes the company's total addressable market to be $60 billion. The company's offerings can be found in a number of industries, from consumer and retail, energy, financial services, healthcare/pharma, insurance, manufacturing, technology, and telecom.

Growth Mode

UiPath is a young publicly traded company and is going through its growth stage. Revenue in fiscal year 2021 grew 80% year-over-year. Analysts covering the company expect UiPath to generate $870 million in revenues in fiscal 2022 and $1.2 billion in 2023.

UiPath was able to grow its customer base from roughly 8,500 in the first quarter of 2021 to 9,100 in the second quarter of 2021. Not only is the company adding clients, it's adding big clients. In Q2 the company reported that it has over 1,000 customers who account for at least $100,000 each in annual recurring revenue (ARR), up 59% from Q2 of the previous year. In addition, the company's dollar-based retention rate clocked in at a healthy 144%. Net dollar retention tracts the amount of revenue a company takes in on a given year from the previous year's existing clients.

UiPath is currently in Fiscal Year 2022. Q3 earnings are scheduled to be reported on December 10, 2021

UiPath's dollar-based retention rate indicates a high degree of upselling and cross selling to existing clients, along with a low number of a churn, which are all positives for UiPath.

In the fall, UiPath plans to release attended robots for Apple's Mac line, which will effectively expand the company's target market.

UiPath went public in April of 2021, and at the end of the second quarter had $1.8 billion in cash and zero debt.

Growth Mode Drawbacks

Because the company is in the early stages of growth, it's prioritizing customer acquisitions over profitability. In Q2, the company spent 73% of revenue on sales and marketing. In comparison, Salesforce, another software-as-a-service company, spent 43% of their Q2 revenue on sales and marketing.

From a value perspective, the stock is expensive with a forward price-to-sales of 32.6x, compared to SalesForce which trades at 11.4x forward price-to-sales, and Microsoft which trades at 13x price-to-sales.

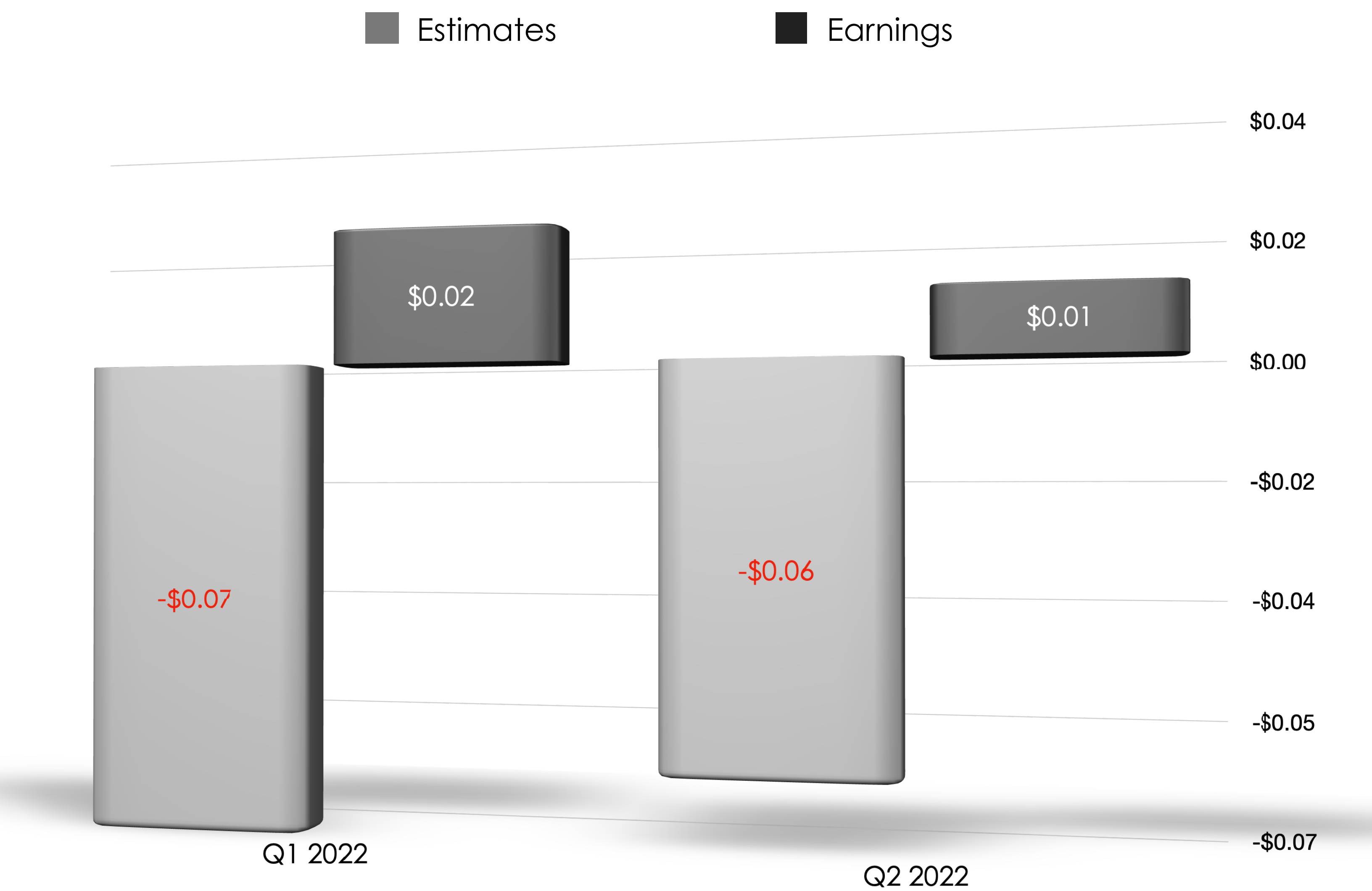
As of Q2 2021 UiPath had over 500 million shares outstanding. Investors can expect this share count to increase to the determinant of the current shareholder. While the company is flush with cash now, any need to raise cash will likely be done by issuing more shares. This practice is pretty standard with growth companies, and even older companies issue new shares to take advantage of parabolic stock prices. Tesla, the electric vehicle manufacturer, conducted three separate offerings in 2020.

Why Now?

Analysts who are dedicated to this industry see where automation is going and have predicted 40% year-over-growth on average for UiPath, which is in line with the expected growth rate of the industry. Also, analysts predict that UiPath could break even sometime in 2022. If UiPath can maintain a high level of growth, show a net income, or at least not show a net loss, and maintain a balance sheet with no debt, it will become a very highly coveted stock.

At the current levels, we believe the stock price represents a bargain. UiPath went public in April 2021 at $56 per share. After hitting $90 per share following the IPO hype, the stock price has faded. The stock price experienced another major drop in early September after the lockup period ended. Now the stock price is just under its IPO price, and has been trading sideways as Wall Street tries to figure out what to make of the company.

An investment theme that we adopted coming into 2020 was to find companies that the world is coming to. The world shifted towards in-home television entertainment, turning Netflix from a struggling company in the early 2000s to a millionaire maker investment 10 years later. The world is shifting towards clean energy and electric vehicles, and turning early Tesla investors into very wealthy people. The world is moving towards automation, and there is no way around it. We believe UiPath at these levels is a great investment into robotic process automation.



What are The Investment Risk

There are several risks associated with an investment in UiPath that investors should consider.

Growth Company Risks

When companies are in their growth stage, like UiPath, the company typically prioritizes customer growth and revenue growth over everything else. For investors that prefer companies that show a net income from quarter-to-quarter, and positive free cash flow from quarter-to-quarter, UiPath may not be a suitable investment. The company is currently losing money, and for Q1 and Q2 of 2021 the company has not produced positive free cash flow. Also, for investors that prefer some form of shareholder reward such as a dividend payment or a share buy back, UiPath provides neither, and likely won't provide either for a very long time. In addition, because it's a young company, UiPath could and likely will issue additional shares, which will dilute any investment made in the company today.

While analysts predict that UiPath could break even sometime in 2022, that is only a prediction. Growth could slow and the breakeven date could be pushed out past 2022, and there is a possibility that the company could continue to lose money well into the future.

Competition Risks

Automation is a hot industry, and because of this other companies are looking to enter. One of UiPath's closest competitors is Automation Anywhere. The company is private, but industry insiders believe the company will go public this year, if not next.

There is also Microsoft, who represents a very big competition risk. Microsoft is very good at finding what's working and creating their own version of it and implementing it into their Office Suite. See Microsoft Teams, which was their answer to Slack, after deciding they wouldn't buy Slack, but instead create a competitor. In the world of technology, UiPath is a small company compared to Microsoft. Microsoft could easily out-spend UiPath to promote its product and cripple UiPath's growth.

Salesforce has its own automated solution and recently purchased Servicetrace to bolster its offering. Like Microsoft, Salesforce is a much larger company than UiPath, with a lot more resources to market and promote its automation solution.

Stock Market Risk

As small investors we don’t have the ability to move stock prices, to see big profits we have to get in before the major institutions discover a company, and sell when those major institutions start buying and pushing the stock price up. Currently there hasn’t been much interest from big firms in UiPath. Cathy Wood’s Ark Invest has been the lone major buyer of PATH recently. Hedge Fund filings for Q3 are starting to come out, and Wall Street’s feelings toward PATH may improve by the time this newsletter is released. For now, there is the risk that UiPath never attracts the big money from Wall Street needed to push the stock price up.

Before making an investment, investors should consider all of the risks listed, and any additional that may arise during independent research.

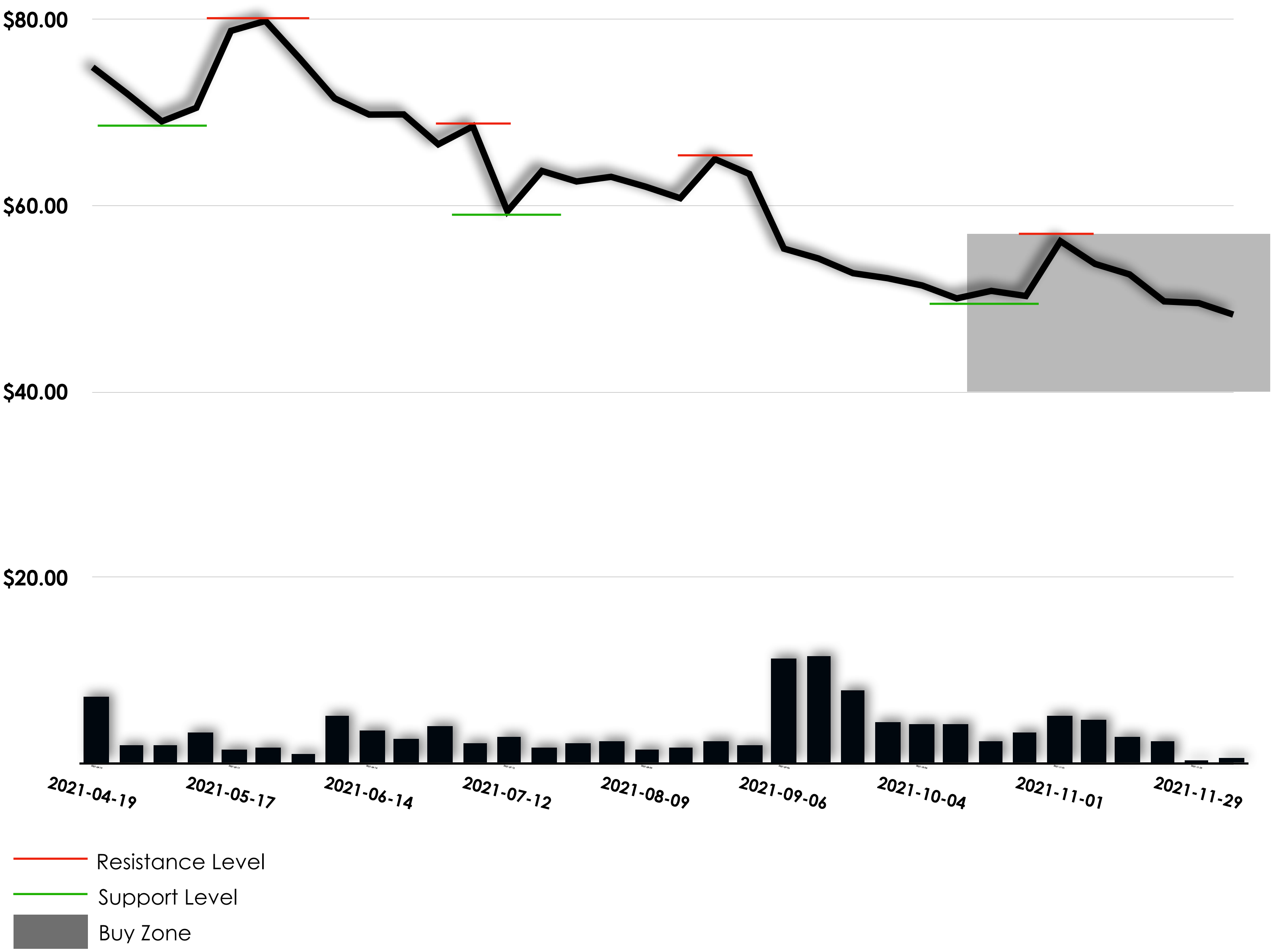
After reviewing the risks we believe UiPath is a good long-term investment, with significant short-term risks.

UiPath Peer Review

Income Statement	PATH	CRM	MSFT	TTD		
Revenue (ttm)	$736M	$23.5B	$176B	$1.12B		
EBITDA	-$370M	$3.75B	$85.7B	$288M		
Net Income (ttm)	-$384M	$2.35B	$67.8B	$281M		
Diluted E.P.S. (ttm)	-$1.40	$2.50	$8.94	$0.56		
Balance Sheet	**PATH**	**CRM**	**MSFT**	**TTD**		
Total Assets	$866M	$66.3B	$333B	$2.75B		
Total Liabilities	$448M	$24.8B	$191B	$1.01B		
Cash Flow Statement	**PATH**	**CRM**	**MSFT**	**TTD**		
Operating Cash Flow (ttm)	$1.59M	$6.13B	$81.9B	$382M		
Levered Free Cash Flow (tm)	N/A	$8.52B	$49.8B	$188M		
Margins	**PATH**	**CRM**	**MSFT**	**TTD**	**S&P 500 Industry**	**S&P 500 Sector**
Profit Margin	-52.1%	10.0%	38.5%	25.1%	22.4%	19.9%
Operating Margin (ttm)	-51.7%	4.9%	42.1%	22.9%	23.4%	24.1%
Return on Assets (ttm)	N/A	0.99%	14.6%	6.26%	7.51%	9.15%
Return on Equity (ttm)	N/A	5.0%	49.3%	26.4%	59.2%	47.3%
Ps	**PATH**	**CRM**	**MSFT**	**TTD**	**S&P 500 Industry**	**S&P 500 Sector**
Price to Earnings (ttm)	N/A	121x	37.6x	177x	101x	50.0x
Price to Sales (ttm)	37.4x	12.7x	14.3x	43.0x	14.6x	8.15x
Price to Book (mrq)	14.5x	5.40x	16.6x	37.0x	93.5x	29.3x
Price to Cash Flow (ttm)	N/A	56.6x	26.5x	176x	44.1x	23.2x

UiPath is in its growth phase, and in this phase customer acquisition and revenue growth trump profitability. Without positive earnings, we can't make a comparison to other companies in the industry. Analysts expect UiPath to breakeven sometime in 2022. Our thought is to invest now while earnings are negative and the importance of automation is being overlooked by Wall Street and other investors.

UiPath Buy Zone $40.00 - $57.00



UiPath's stock price has been in a free fall since it became a public company. While it's not advisable to try and catch a falling knife, it's also not advisable to try and time the markets. For investors who are interested, but weary, investing small to start would be the best way to enter UiPath. Our buy zone is between $40 per share and $57 per share. $40 is where we anticipate the stock price will find and hold support should it continue to decline. We wouldn't sell our position below $40, but we would re-evaluate our research and position in the company.

What is Wall Street Saying

Organization	Rating	Price Target	Date
Cowen	Buy	$72.00	10/19/2021
Wells Fargo	Hold	$65.00	10/10/2021
Evercore ISI	Hold	$72.00	10/8/2021
RBC Capital	Hold	$65.00	10/7/2021
Mizuho Securities	Buy	$70.00	10/7/2021

Summary

Top Reasons to Invest in UiPath

1. Recognized by Forrester Research as an industry leader.
2. The world is moving towards automation, which is what UiPath specializes in.
3. Growing customer base, growing revenue, and a possibility of breaking even in 2022.

Top Reasons to Avoid UiPath

1. Company risk. UiPath is in its growth phase where it is prioritizing revenue and customer growth over net profits.
2. Competition risk. UiPath will compete with bigger companies in the race to automate enterprises around the globe.
3. The stock is trading below its IPO price, and hasn't garnered much attention from big Wall Street firms to date.

MARQETA

MQ

$20.47

MARQETA

P/E	P/S	ROE	ROA
N/A NO EARNINGS	29.1X	N/A NO EARNINGS	N/A NO EARNINGS
TRAILING	(TTM)	(TTM)	(TTM)

REVENUE IN MILLIONS

2019	$143
2020	$290

NET INCOME IN MILLIONS

2019	-$58
2020	-$47

TARGET PRICE	DIVIDEND YIELD	INDUSTRY	GRADE
$65.00	N/A	SOFTWARE – INFRASTRUCTURE	C

3 Consecutive Years of Revenue Growth	✓
3 Consecutive Years of Net Income Growth	✗
Dividend	✗
Share Buyback / Share Repurchase	✗
Insider Buying	✓
Passing Stock Growth Driver Grade	✓
Overall Grade	C

What Does Marqeta Do

Marqeta, Inc. operates a cloud-based open application programming interface platform that delivers card issuing and transaction processing services to developers, technical product managers, and visionary entrepreneurs. It offers its solutions in the various verticals, including commerce disruptors, digital banks, tech giants, and large financial institutions. The company incorporated in 2010 and is headquartered in Oakland, California.

Why Invest in Marqeta?

Financial Technology (FinTech) is an industry that is on fire. Since the beginning of 2020 Square is up over 250% and PayPal is up by more than 80%. Since May of 2021, Affirm Holdings has increased by 178%. FinTech companies with unique offerings and big partnerships have been bid up by investors over the past few years, and we believe Marqeta could be the next great FinTech company.

Marqeta isn't just a payment app, or a credit card maker, it's a company that is capable of providing an entire payment ecosystem. It can process transactions, provide debit cards, credit cards, prepaid cards, virtual cards, and help companies create a payment ecosystem. The company is able to deliver its services across many of the areas of finance that are buzzing, like buy-now-pay-later (BNPL), cryptocurrency, and digital banking to name a few. Marqeta has been able to land partnerships with companies like Alphabet/Google, Affirm, Doordash, Square, and Uber.

What we find impressive about Marqeta is that entrepreneurs are able to use Marqeta's services to create their own payment environment within whatever applications they build. These entrepreneurs can also offer credit cards or discount cards for use within their payment environment. This is significant for two reasons. First, the move to digital payments is accelerating. The world was already moving in the direction, but the COVID-19 pandemic quickened the move. Consulting firm Bain & Company estimates that the effects of the COVID-19 pandemic will cause global digital transaction volumes in 2025 to increase from 57% to 67%. The second reason has to do with the rise of neobanking, where traditional banking functions are handled by non-traditional banks. We've seen instances of this over the last several years. PayPal, a traditional payment app, allowed users to establish accounts similar to a checking account. Robinhood added a savings account feature to its platform. Square's CashApp allows its users to buy crypto, which morphed a payment transfer app to a mini crypto exchange.

We foresee the rise of neobanking as a very big disrupter to the traditional banking system and traditional finance overall, the company that can help companies develop their own payment solution should benefit from this disruption.

Growth Mode

The majority of Marqeta's revenue comes from interchange fees generated by card transactions through the company's platform.

In Q3 2021 Marqeta's total processing volume hit $28 billion, which was a 60% increase from Q3 2020. Marqeta's Q3 2021 revenue came in at $132 million, 56% greater than revenue in Q3 2020. Even more impressive, Marqeta has increased revenue quarter-over-quarter for five straight quarters. Revenue for the year has already surpassed 2020 revenue by 19.7%, with one quarter left in the year. Q3 also ended with Marqeta making a small operating profit.

Earlier we touched on Affirm and its stock price. The catalysts behind the company's meteoric stock price rise was its partnership with Amazon to provide BNPL services. Marqeta's management wasn't able to go into much detail, but did confirm to investors and analysts that they are powering Affirm's Debit+ card. Marqeta saw 300% year-over-year growth in Q3 2021 from its BNPL vertical.

Buy-now-pay-later is a growing purchasing option, and one that could soon be on par with credit card purchases. According to a survey of 1,000 UK consumers, 54% said BNPL will replace their use of credit cards. In the same survey 35% noted that they first used BNPL during the pandemic, which speaks to how the pandemic is accelerating the move to digital payments.

Marqeta has not produced a profitable quarter since going public. The biggest expense holding back its profitability is compensation and benefits. In Q3 2021, 61% of incoming revenue was spent on compensation and benefits. In comparison, Visa's personnel expense during its last quarter was 17.5% of its revenue and personnel expense was 23% of Mastercard's revenue in its last quarter. We expect this figure to decline over time and become more inline with Visa and Mastercard. The sooner this figure begins to decline, the sooner we believe the company will hit profitability.

Growth Mode Drawbacks

Marqeta was able to generate positive free cash flow in 2020, which is a major milestone for a growth company. The company was able to generate positive free cash flow in the first quarter of 2021, but failed to do so in Q2 and Q3 of 2021. As a young growth company, customer capture and revenue growth are prioritized over net income and free cash flow, but Marqeta has shown that it is capable of generating free cash flow, which is a plus.

Marqeta ended 2020 with a +200% dollar-based net revenue retention rate, which is a strong indicator that the company is able to cross-sell and upsell it's offerings to existing clients, but the major drawback is that most of Marqeta's revenue is derived from one client, which we'll discuss more under the risks section.

For investors who prefer dividends and share buy backs, Marqeta does neither at this point, and may not do either for years down the road if ever. Investors in Marqeta should expect their position to be diluted from further share offerings and exercised stock options.

Why Now?

Marqeta went public in June of 2021 at $27 per share and it currently trades below its IPO price. The stock has become one of those that investors have overlooked in order to secure short-term wins. The company has growing revenue, over a billion in cash, and no debt. It's shown the ability to produce income from operations.

Marqeta's business model allows it to grow as its users grow. As Marqeta's customers create and implement payment ecosystems, and grow their platforms, Marqeta will grow in unison.

Also, as investors prepare to invest in and around the metaverse, a good question to ask is what will payments look like in the metaverse? Because Marqeta is a payment module implemented by companies, they could be the choice for entrepreneurs creating metaverse applications.

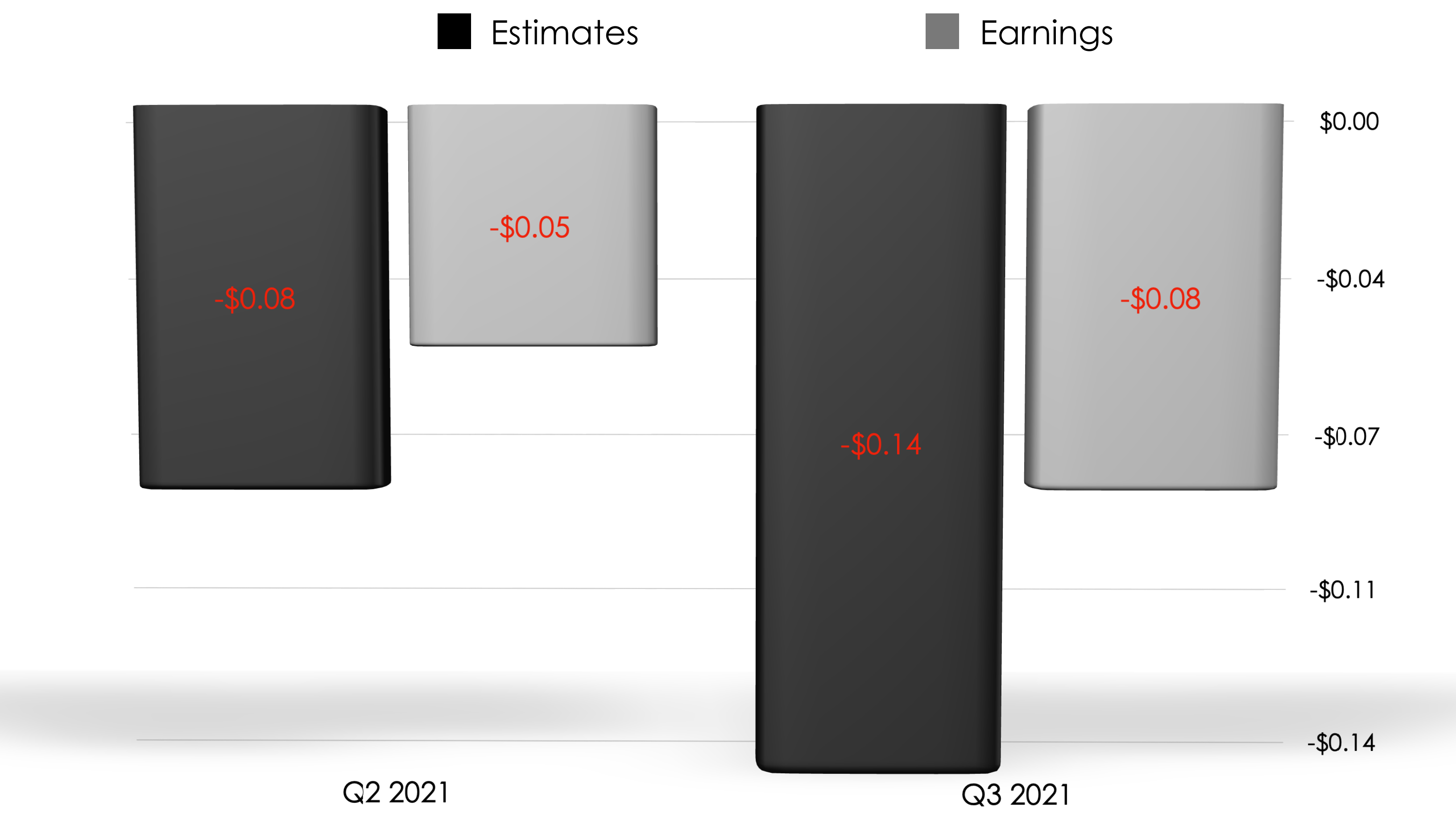
Another major plus is that Marqeta is well liked by developers who use the products to develop applications as well as developers working for the company (When it comes to success in tech, follow the developers).

The BNPL trend is trending upwards as well as the neobanking trend, and Marqeta has exposure to both.

In Q3 2021, according to whalewisdom.com, 29 Wall Street institutions added Marqeta to their portfolios, and 38 firms increased their position in the stock. Two funds currently have Marqeta as a top 10 holding. Also, in October, Citron Research, who is well known for its short positions, put a buy rating on Marqeta, with a $50 price target, claiming that it is loved by developers, but misunderstood by Wall Street.

Marqeta is a founder led company, the CEO Jason Gardner holds ~14% of the company's stock, so he has incentive to see his company do well and reward investors at the same time. But it should be noted that there are some very big risks associated with Marqeta, which we'll discuss next, but the possible reward for owning Marqeta now could be very big.

For investors who are comfortable with high risk growth stocks, we believe Marqeta is worth adding to the portfolio.



What are The Investment Risk

Concentration Risk

While the Marqeta does have competitors, like Fiserv for instance. It's Marqeta's customer concentration which appears to be its biggest risk. Marqeta closed 2020 with Square representing more than 70% of its business. Typically, when a company has one client that represents more than 20% of its business investors raise red flags. To provide a comparison, Amazon is highly dependent on UPS, and Amazon accounted for only 13% of UPS's revenue in 2020.

In Q3 2021, dependence on Square did decline to 68%, which is still a very high number. Moreover, Marqeta is highly dependent on another FinTech company, who could possibly decide to create their own payment architecture.

We believe this metric is the major reason that major Wall Street firms have not warmed to Marqeta.

Risk Due to Lack of Exposure

Typically when we review growth companies, we see large expenditures for stock-based compensation, and large marketing expenditures, however that has not been the case with Marqeta. From January to the end of September 2021, the company has spent 0.4% of its revenue on marketing and advertising. This could be one of the reasons why Square accounts for such a large portion of its business. We believe that without a significant increase in marketing spend, the company's services could be passed over for other companies who don't have the same quality offerings that Marqeta does.

Growth Company Risk

As we noted earlier, Marqeta is not a profitable company, and there is a possibility that it will never become profitable. Also, Citron noted that the company is misunderstood by Wall Street. We think that's due to the complexity of the service it offers. It's not just offering credit cards like Visa or Mastercard (both were early investors in Marqeta). It's not just handling the checkouts like Stripe, Marqeta is offering physical and virtual cards, it's offering the conduit to process the payments, it's offering application programming interfaces (APIs) that allow companies to create their own payment environment. It has the ability to be the go-to payment solution for any startup that is in need of a payment environment.

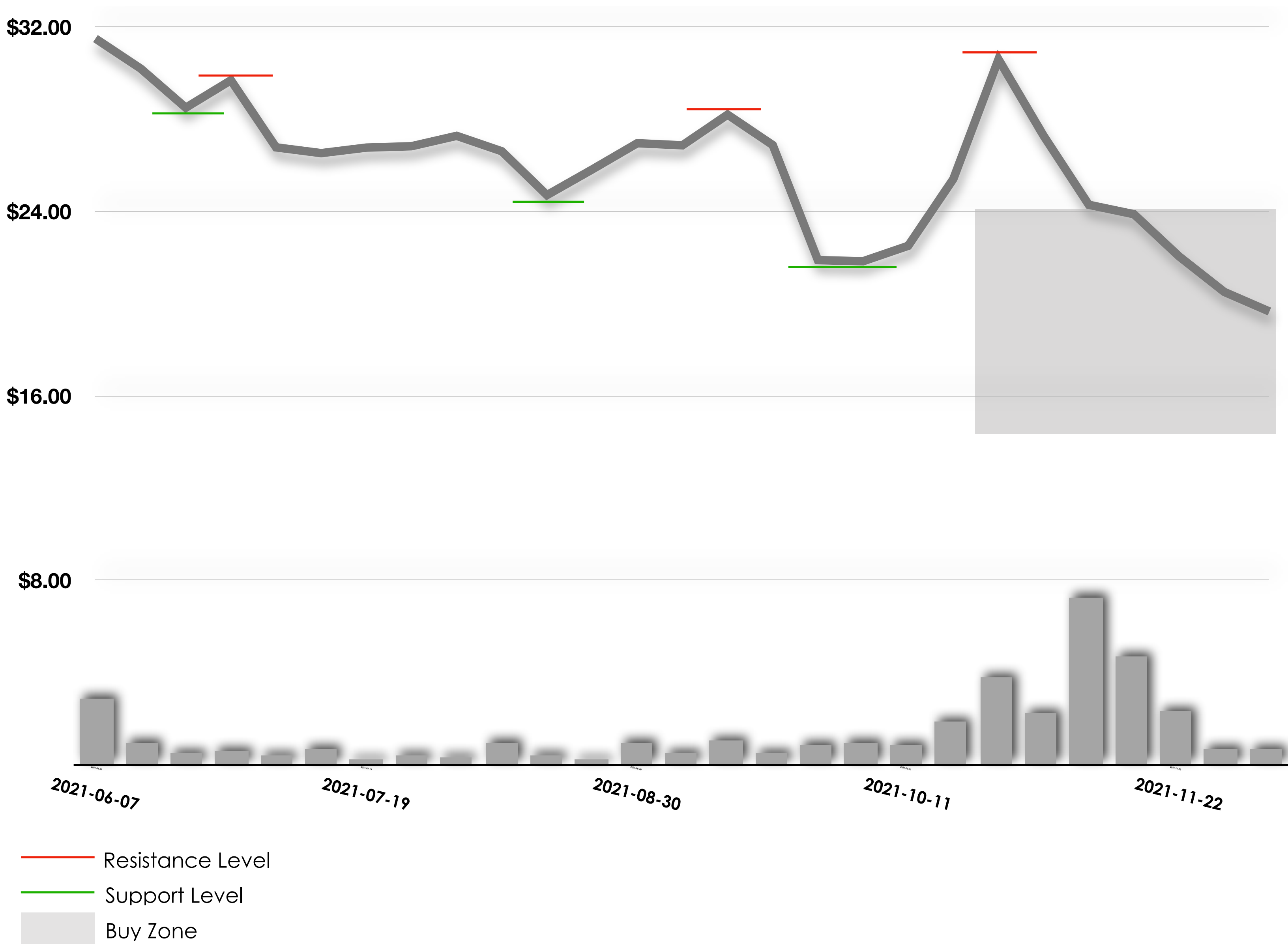
An investment in Marqeta is not for the ultra conservative investor. There are significant risks that come with a Marqeta investment. However, after reviewing the risks, we believe they are outweighed by the reward. If the company can diversify its customer base, hit consistent profitability and free cash flow, we believe it can be the next big winner in FinTech.

Marqeta Peer Review

Income Statement	MQ	SQ	PYPL	V		
Revenue (ttm)	$449M	$16.7B	$24.5B	$24.1B		
EBITDA	-$133M	$430M	$5.19B	$16.6B		
Net Income (ttm)	-$141M	$537M	$4.94B	$12.3B		
Diluted E.P.S. (ttm)	-$0.54	$1.00	$4.16	$5.63		
Balance Sheet	**MQ**	**SQ**	**PYPL**	**V**		
Total Assets	$457M	$9.88B	$70.3B	$80.9B		
Total Liabilities	$170M	$7.18B	$50.3B	$44.7B		
Cash Flow Statement	**MQ**	**SQ**	**PYPL**	**V**		
Operating Cash Flow (ttm)	$23.0M	$793M	$5.92B	$15.2B		
Levered Free Cash Flow (tm)	N/A	$521M	$3.48B	$12.0B		
Margins	**MQ**	**SQ**	**PYPL**	**V**	**S&P 500 Industry**	**S&P 500 Sector**
Profit Margin	-31.3%	3.2%	20.0%	51.0%	22.4%	19.9%
Operating Margin (ttm)	-30.5%	1.98%	17.3%	65.6%	23.4%	24.1%
Return on Assets (ttm)	N/A	1.89%	3.81%	12.0%	7.51%	9.15%
Return on Equity (ttm)	N/A	21.1%	24.3%	33.3%	59.2%	47.3%
Ps	**MQ**	**SQ**	**PYPL**	**V**	**S&P 500 Industry**	**S&P 500 Sector**
Price to Earnings (ttm)	N/A	239x	50.1x	N/A	101x	50.0x
Price to Sales (ttm)	29.1x	6.26x	9.96x	N/A	14.6x	8.15x
Price to Book (mrq)	8.33x	35.4x	11.0x	12.0x	93.5x	29.3x
Price to Cash Flow (ttm)	N/A	741x	43.2x	N/A	44.1x	23.2x

Marqeta has yet to turn a profit, therefore ROE and ROA aren't applicable. We expect earnings to be negative for some time. Marqeta needs to increase its advertising and marketing spend to increase awareness, attract new clients, and diversify its revenue stream. The company has been able to generate positive operating cash flow, which is a solid accomplishment for a growth company like Marqeta.

Marqeta Buy Zone $15.00 - $24.00



Our buy zone for Marqeta sits between $15.00 and $24.00 per share. After a hot October, the stock pulled back in November after releasing its most recent quarterly earnings. Investors were looking for more diversity in the company's revenue stream than Marqeta was able to accomplish during the quarter. Similar to our UiPath buy zone, we don't want to attempt to catch a falling knife, but we don't want to lose out by trying to time the markets. We strongly believe Marqeta is a fintech company with tremendous growth potential, and worthy of making an investment in, even if it is a small investment.

What is Wall Street Saying

Organization	Rating	Price Target	Date
Truist Financial	Buy	$40.00	11/11/2021
Wolfe Research	Hold	$35.00	11/11/2021
Mizuho Securities	Hold	$25.00	11/10/2021
SMBC Nikko	Sell	$26.00	11/3/2021
KeyBanc	Buy	$38.00	11/2/2021

Summary

Top Reasons to Invest in Marqeta

1. It's a growth company in the hot FinTech industry.
2. Exposure to buy-now-pay-later, neobanking, as well as crypto payments.
3. A growth company that appears close to being profitable and generating positive free cash flow quarter-to-quarter.
4. Highly respected by developers inside and outside of the company.

Top Reasons to Avoid Marqeta

1. Very high customer concentration, one client accounts for more than 65% of revenue.
2. Lack of exposure due to a small amount of money spent on marketing.
3. Currently not a profitable business and the company has not proven it can generate positive free cash flow quarter-to-quarter.

The Information

"The easiest way to manage your money is to take it one step at a time and not worry about being perfect."
– Ramit Sethi

Psychological Market Levels

What are Psychological Market Levels?

Fear, greed, and the stock chart. Fear and greed are the two emotions that move the markets, and the chart is where investors can get a visual representation of fear and greed in action. While stock charts are critical for some investors, not every investor relies on them. In the digital era, we can look at an app, see the current price of our investment, determine if our investment is up or down from where we purchased it, and then move on with our day.

Investors don't have to be wizards of the charts to make a mint of money in the stock market, but having some knowledge of what's happening on the charts can answer some questions that seem unanswerable. Like why did the stock I own trade up for two weeks and then immediately stop moving up; or why does a stock I own seem to trade downwards after hitting a certain price? The answer to these questions and questions like these can be found in the charts.

In the markets, there are psychological levels that can significantly affect the movements of an investment, whether the investments are stocks, commodities, or currencies. These psychological levels are where investors can witness fear and greed being played out in the markets.

Common Psychological Levels

For some reason or another, round numbers tend to be a major psychological level of resistance for stocks. Some stocks trading under 10, will trade up to the $10 mark only to find resistance and a sell off. 100 is another major psychological level for stocks. Stocks meeting the $100 level for the first time typically encounter tough resistance.

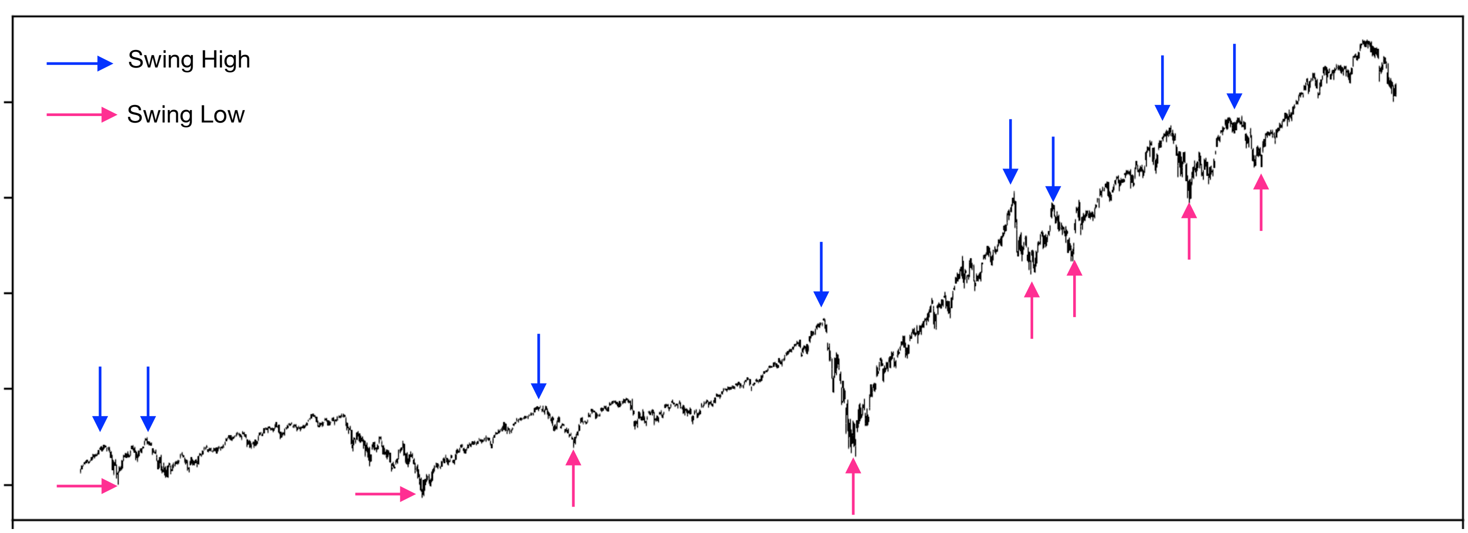
While rounded numbers tend to be the easier psychological levels to spot on a chart, they aren't the only ones. Throughout price charts, past support and resistance levels become psychological levels to investors. It's typical to see a price level that served as strong resistance for an investment, become a level of support for the stock price in the future.

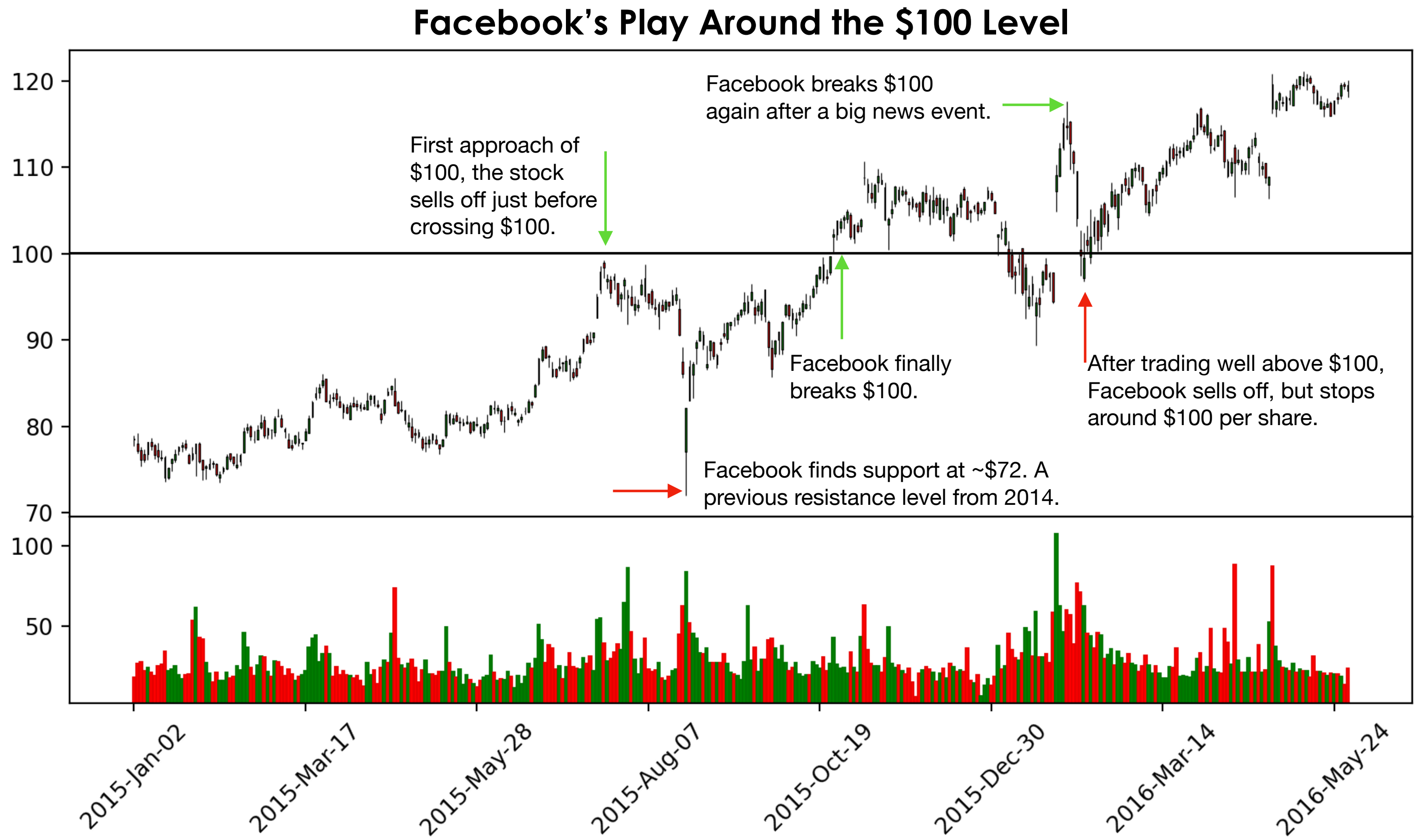
The Cause of Psychological Market Levels

Humans love round numbers. The 10th birthday is a big deal, because we're past the single digit ages. We talk about life in our 20s, 30s, and 40s, but not our 25s. We pursue jobs that fit a starting salary requirement we've come up with, $50,000, $60,000, $70,000, but never $57,253. We walk the extra steps so that our fitness tracker reads 10,000 steps instead of 9,977.

In the markets, investors find it easy to put their buy orders or their sell orders at these round numbers. Stock prices that lose upward momentum as they approach $100 per share are typically hit with an onslaught of selling pressure at or around the $100. The same goes for those stocks that try to break through the $10 barrier. Investors who purchased the stock in the low to mid single digits view $10 as a big win, and thus set their sell orders at $10. But why $10 and not $8.99 or $11.37, and why $100 and not $93.93 or 104.13? If an investor purchased a stock at $5 per share and sold it at $7.50, that's still a 50% gain, which beats the market and most professional investors.

Gaurav Jain, a marketing assistant professor at Rensselaer Polytechnic Institute co-wrote a study that found that when confronted with non-round numbers, people tend to compare the number to an ideal round number to fit the given situation. This is something we've all done. We say or think $1.00 when the price actually states $0.99. Anyone who is a sports fan knows that batting 300 on the season is cause to celebrate, batting 299 doesn't come with the same fanfare. Rushing for 1,000 yards in the NFL is still seen as a big milestone, even though it equates to 59 yards a game. Keeping on that same track, if a team's main rusher had 59 yards in a game, announcers and fans would think that the player wasn't having a great rushing day.





In 2015 Facebook's stock made its first approach towards $100 per share. In anticipation shareholders set sell orders just slightly below the level. The stock traded to $99.24 before selling off. The stock would bottom out at ~$72.00 per share after the sell off. The $72.00 level had been a level of resistance in March of 2014 (chart not shown) and then served as a level of support in August 2014 (chart not shown).

Facebook would break through the $100 level in October 2015, but fall below again. On January 28, 2016 Facebook announced after several weeks of testing it would expand its video feature to Facebook users. This news caused the large jump in the stock price over $100. Yet, even after great news and a surge of buying, the stock price would fall and find support at the ~$100 level.

In addition to the resistance levels seen around round numbers, there are support and resistance levels established away from round numbers.

When a stock hits a high point, and then starts to trade downward, it creates a swing high. This swing represents a level of resistance. This level of resistance occurs when investors stop buying the stock and start taking profits by selling. As sellers overwhelm the buyers, the stock price falls.

When a stock hits a low point, and then starts to trade upwards, it creates a swing low. This swing represents a level of support. This support level occurs when investors stop selling the stock and the buyers of the stock overwhelm the sellers, causing the stock price to increase.

Pull up any chart and there are swing highs and swing lows throughout the stocks history, but what may be missed is how these swing points are revisited by the stock price in the future.

We can see an example of this on Netflix's stock chart. In 2018, Netflix's stock started to move upward, but hit a point of resistance in late January of that year creating a swing high. The stock traded downward for two weeks and then put in a swing low. These two swing points would become strong psychological levels on the Netflix chart. After the swing low was created and Netflix's stock price rose, it hit another swing high and then traded down. The stock trades down and created a swing low / level of support at the same level of the old swing high. In this situation the old resistance level became a level of support, and a very strong level of support.

The stock price bounced off of that level of support ~$280 per share and traded up to over $400 per share in less than three months. The first swing low from early 2018 at ~$236 per share, would serve as support again in December 2018. It's as if Netflix's stock knew to stop declining at the $236 area.

Swing High, Swing Low, and Value

To a degree, every investor is a value investor, whether they admit it or not. Swing highs and swing lows represent value or a lack thereof.

A swing high forms when fundamental investors stop buying because they feel the price of the investment is overvalued. Technical traders continue to buy the stock, playing the upward momentum for profits, but eventually the investment will reach a price where technical traders won't find any value, and thus slow their buying. With both fundamental investors and technical traders not finding value after the investment's rise, the price of the investment starts to decline.

When the stock price declines enough, to a price where fundamental investors believe the stock price is undervalued, they will start accumulating stock, creating the swing low. The upward momentum will catch the attention of technical traders, and the technicians will begin to buy the stock.

These market levels of value and over-valued tend to stick, and is how a stock can trade down to a price point from months ago and find support or trade up to a price it touched years ago and find resistance.

Are Psychological Levels Important to Long Term Investing?

For investors who choose to invest with a long-term time frame in mind like we do at The Seville Report, not understanding psychological levels won't impede investment success. However, as an investor, the more we understand the markets, the better we can invest our capital.

Now after having an understanding of the psychological market levels, an investor may be cautious about purchasing a stock that is nearing $100 for the first time. In addition, an investor with knowledge of how psychological market levels work can point out possible areas of where a stock may fall to in order to purchase it at a lower price.

More Art Than Science

The psychological levels don't always play out as described. There are some investments that blow right past round numbers and keep going without looking back on their first attempt. Falling investment prices sometimes find levels of support that don't correspond with a previous level of resistance or support.

For the investments that do feel the psychological pull of the market, we have an explanation as to why an investment trades to $10 per share and then declines, or slightly crosses over $100 only to decline.

Whether a long-term investor that uses fundamental analysis to make decisions, or a swing trader that uses price action and stock charts to make trading decisions, understanding that there are psychological levels to the market can help both fundamental investors and technical traders.

The Wage Slave Revolution

What Am I Working For?

Years back, while working for a Fortune 500 insurance company, someone that I considered to be a mentor unexpectedly gave notice to the company that he was leaving. He had been at the company for nearly a decade and was considered a superstar by his managerial peers and the people that worked under him and around him. He started his insurance career at a time when the company valued mobility over mastery, so in a short amount of time he was able to gain experience in all levels of insurance claims and make the transition into management.

What shocked many people at the time of the resignation is that it occurred just a few weeks after getting another promotion. After beating out dozens of other candidates for a highly coveted position, he decided he had to leave. After days of speculation, I finally got to see him and ask him why. Why would he leave just weeks into getting this position that so many others wanted? He explained to me that the numbers didn't add up, that in his current role, he still couldn't afford to own a home in or around where we worked (Long Island, New York), and that it would take several more promotions to have real financial stability.

Prior to getting the promotion, my friend/mentor had recently gotten married, and was forced to look at life not as a single guy in an okay apartment, but as a married man who had plans to start a family. My friend also explained to me that his family was in the lawn care business and that's where he would be headed, because by doing that he saw a path forward. In his family's business, he could reap big rewards if he worked really hard, and that wasn't always the case at the insurance company.

The Great Resignation

Today in America, we're living through what Texas A&M psychologist Anthon Klotz coined the "Great Resignation." At this moment, many Americans have questioned and are questioning what's at the end of the road of their current jobs? Refusing to live and die as a wage slave, American's are revolting, but silently. There aren't any protests, or marches, or anything to draw attention to the movement. People have silently quit their jobs or have refused to return to work.

Between April and August of this year, 20 million U.S. workers left their jobs according to the BLS data. The resignation rate is 60% higher than it was during the same period in 2020.

Photo by Pixbay from Pexels

While it's surprising that the great resignation is happening now, it's not a surprise that it is happening. Over the past 24 months, there have been several catalysts that have caused people to rethink their relationship with work. In addition to that, decades of worker complaints that have gone unattended to have reached a tipping point. We take a look at the catalysts and the environment that helped kick off the wage slave revolution.

COVID-19

So much of the current revolution has to do with the COVID-19 pandemic. The pandemic fueled the Great Resignation with two significant ingredients, time and money. To assist those unable to work due to the pandemic, the U.S. government offered an increased unemployment benefit in addition to traditional unemployment benefits. The time home provided people with a moment to reflect, and question everything like, what am I doing, where am I working, what am I working for, who am I working for, and other big questions about life people often never get a chance to ask themselves while in a daily grind. The time stuck at home, isolated, gave many people the space to soul search. Unemployment benefits gave people the opportunity to experiment financially, especially those people who were able to make more money from government benefits than their actual job.

Armed with money and time a good number of Americans went to work for themselves. When there were no sports to bet on early in the pandemic, unemployed Americans with a stimulus check and an unemployment check looked to the stock market, and surprisingly many of them won big. In June of 2020, headlines about retail traders beating hedge funds was the big **news**.

For those that didn't master the markets, they figured out other money making opportunities that are easily missed when grinding out 10 hour days five to six days a week at a corporate gig. In isolation, people figured out how to leverage their corporate experience into YouTube and TikTok channels. Others figured out how to make freelance sites like UpWork and Fiverr work for them and their needs. In a study conducted by **Upwork**, the company saw an 8% increase since 2019 in people earning a living doing full-time freelance work. And for those unaware, Upwork is more than just dog walkers and entry level jobs. The same study by Upwork found that in 2020 50% of freelancers provided skilled services like marketing, IT, business consulting, and computer programming, which is up from 45% in 2019.

COVID-19 Part II

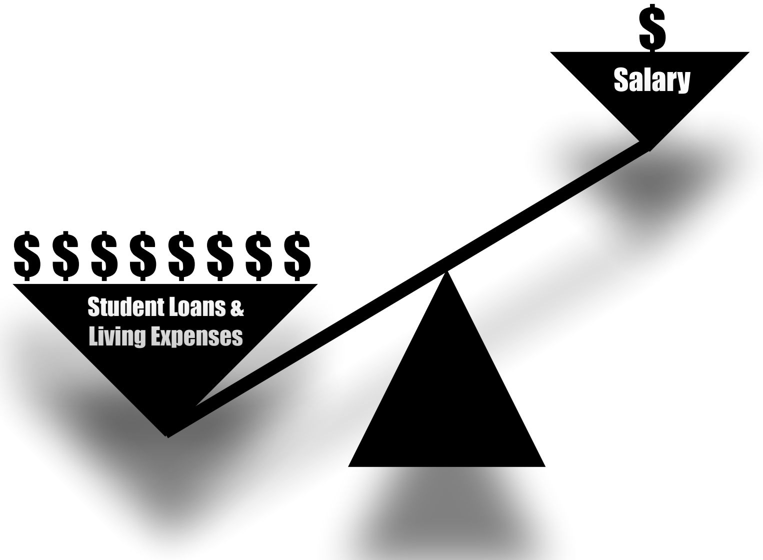
The delta variant has had a major impact on keeping workers away from work. Even with multiple vaccines on the market for adults, the COVID-19 delta variant has been a major obstacle in getting people to return to work. Even with companies increasing wages in an effort to get folks back to work, many have decided to stay away due to the rise in delta variant cases the U.S. experienced over the summer of 2021.

An Environment Ripe for Revolution

It may have taken Covid to set the house ablaze, but the lighter fluid had already been poured and the match had already been lit way before COVID-19. Before the Great Resignation, millennials had spent the last seven to eight years speaking about "The Great Bamboozle."

The Great Bamboozle occurred when young adults were told that in order to have any semblance of a good life, they had to get a college education at all cost. The Great Bamboozle pushed unsuspecting 18 year olds into major debt for their education with a promise that the education would lead to a better life. After falling for The Great Bamboozle and leveraging their financial future for an education, graduates found it very difficult to secure jobs that allowed them to live on their own, enjoy some small luxuries, and repay their student loans.

The Bamboozle wasn't new, but millennials were the loudest about it. While millennials complained about their wages versus the amount of their loans. CEOs of major industries could only respond with tales of all the industries that millennials were destroying.



Throughout the 2010s CEOs have complained about millennials killing the real estate industry because many millennials chose to return to their parents homes after college. CEOs also complained that millennials were killing the cable industry as many millennials decided to go with Netflix over a $150 a month cable bill, and one of my favorites was that millennials were killing the diamond industry because they weren't getting married at the same pace as their parents and grandparents. While millennials spoke loudly about the crippling effects of student loan debt, Wall Street's only concern was that they couldn't get another generation into more debt.

It has been a real struggle for the average worker over the past 20 years. The Economic Policy Institute estimates that since 1978 CEO compensation has grown 1,322% while the wages for a typical worker has risen by only 18%. In 2020, when many Americans were worrying about how they were going to keep a roof over their heads, CEOs of the top 350 U.S. firms made $24.2 million on average, an amount 351 times more than the average worker.

The Great Bamboozle created the environment that bore the current wage slave revolution, yet and still, hardly anyone with any influence has been vocal about stating such. Instead, the Great Resignation has been attributed to the unmotivated and lazy worker.

"Take this job and shove it, I ain't working here no more…" - Johnny Paycheck

Motivated to Work, But Not For You

Politicians, who were under the impression that government unemployment benefits were keeping people out of the workforce, cut benefits during the summer of 2021. In addition the U.S. government stopped the additional $300 per week unemployment payment after Labor Day. The results were not what the politicians expected. American's did not return to work in droves as expected, even with unemployment benefits ending and companies raising wages.

The wage increase that many companies have been forced to do to lure employees is almost comical. For decades, companies gave every excuse they could think of why fast food employees couldn't earn $15 an hour, and now they're offering $15 to anyone willing to walk through the door.

Corporations are finding that higher wages aren't the sole fix for the Great Resignation. Aside from low wages and low wage growth, workers have made many complaints throughout the years about their working environments, and work life balance among other things. Work-from-home was a necessary evil for employers during the pandemic, it's now been a point of contention on getting people back to work. For some people who have not left the workforce, working from home has been an employee benefit that they are looking to keep for good.

Immigration

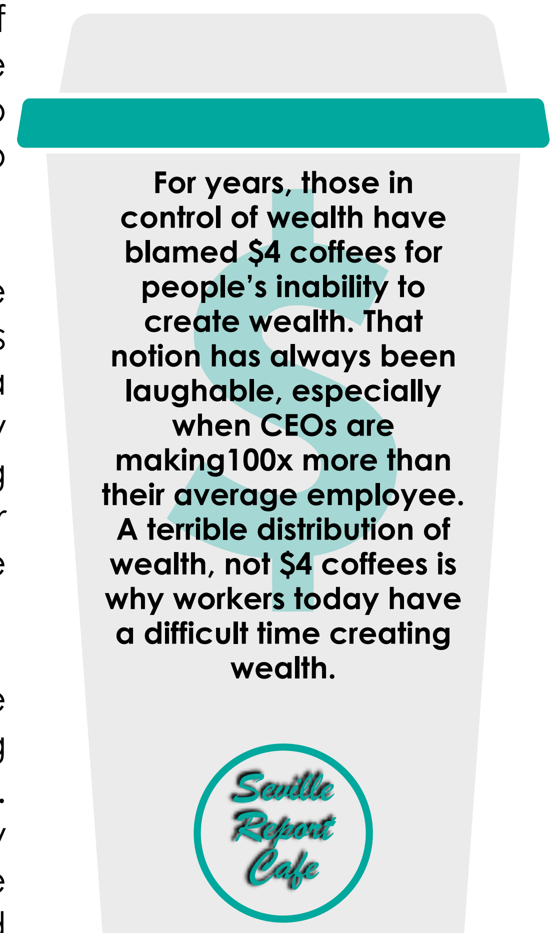
The country's tone on immigration has also had an impact on the Great Resignation. In the past, backbreaking or remedial jobs with low pay and no benefits were easily filled by immigrants starting their American journey. Now, it's these jobs that have had a hard time filling positions.

Photo by Oleg Magni from Pexels

In one aspect, the effects of rounding up immigrants and sending them back to their homeland has caused the labor pool to shrink, which has caused a noticeable interruption in the delivery of goods and services. In Florida, strawberry farmers have watched their crops ripe and then rot, because they didn't have cheap labor to pick strawberries. For anyone who loves strawberries at affordable prices, this is an issue. On the other hand, the limited talent pool has caused employers to raise wages in order to attract workers, and we're paying for it. A pound of fresh strawberries in 2016 went for $2.51, and recently I paid $3.93 for the same pound of fresh strawberries.

What Next?

There is no reason to believe that the Great Resignation will last long. At some point, people will be in need of money and have to go to those that have it and are willing to trade it for services. But when people return to work, the workplace should be a little different thanks to the Great Resignation.



Since the summer of 2021, I've heard more talk of the four day work week, and even more companies discussing a set work-from-home schedule. This is a complete 180 from where we were in late spring / early summer 2021. During that time, employers were looking to get employees back into the office by September 2021, and there was very little discussion of flexible schedules or a continued work-from-home.

Like most revolutions, the wage slave revolution will give birth to better. Better wages, better working environments, and overall more options for the worker. Also, workers should have a better view of where they are going in their careers, and employers will provide more resources to help workers get to their intended goals.

The Revolution Has Begun

Similar to the reason my friend and mentor walked away from his job at the insurance company, I believe the Great Resignation is being prompted by people not seeing a path forward in their current situations. Politicians would have us believe that many Americans just want to stay home and collect pandemic aid for as long as they can, but the people have proven that's not the case. What people want is to know that their job is going to get them somewhere that they desire to be, whether it be a better apartment, a house, financial stability to start a family, or out of debt.

There was a time in America where a man could get a job that required no college, and that job provided enough to afford a home, feed a family, and send kids to school. Those days have been gone for a long time, and neither employers nor politicians seem motivated to bring those days back or figure out where we got off that path. Today, people are done speaking, except to say, "I quit." Folks are tired of being just a wage slave, and the "Great Resignation" is the revolution of the wage slave.

Inflation 101

Inflation. It's been hard to escape the word over the past few months, and that is for good reason. Inflation, unlike most topics that drive investment related news impacts everyone. Consumers, investors, employees, employers, home owners, renters, the rich, the poor, and everyone in-between are all affected by inflation.

We are currently in a high inflationary period, which is the reason inflation has been a hot topic of late. Here we'll go through some basics of inflation like what it is, what causes it, and what are some of its effects on the public.

What is Inflation?
Inflation is a mechanism that measures and tracks the impact of price changes across a set of products and services over a period of time. By tracking inflation, investors, consumers, and anyone else can track the decline of or increase in purchasing power.

Example: Ever heard a parent or grandparent say, "A slice of pizza was $0.50 in my day" after paying $2.00 for a slice; or "The movies cost $1 in my day" after paying $10 for a movie ticket? The difference between the prices they paid years ago and the price they have to pay today is due to inflation.

What Causes Inflation?
Increases to the money supply is the root of inflation. When the money supply increases, this boosts the demand for goods and services. When this demand surpasses the production capacity of the economy the price of goods and services rise and we get demand-pull inflation.

Example: In order to help people and businesses get through the pandemic in 2020, the U.S. Federal Reserve along with the U.S. government implemented monetary policies that increased the money supply. Stimulus checks along with enhanced unemployment benefits amounted to over $1 trillion. The stimulus payments, in addition to the robust rise in the stock market in 2020 helped fuel consumer's demand for goods and services. All of which has led to an increase in inflation.

What's a Good Level of Inflation and Where are We Now?
U.S. policy makers have an inflation goal of 2%. As of October 2021 the U.S. inflation rate is 6.2%. U.S. inflation for 2020 was 1.23%, which was 0.58% lower than the previous year.

How Does Inflation Affect the Consumer and Investor?
Inflation is a measure of buying power. High inflation hurts consumers because it cuts into the consumer's buying power. $100 today will get a consumer less than it did in early 2020 thanks to the inflation increase. High inflation also drives demand for goods and services, as consumers look to secure goods and services before their prices rise.

For investors high inflation can be a double edged sword. High inflation raises the price of assets. For investors that own assets like real estate and stocks, a rise in value is a benefit to the investor. For investors looking to accumulate assets, they'll have to pay more to acquire an asset during periods of high inflation.

How is Inflation Calculated
Inflation is calculated by gathering prices on a commonly purchased basket of goods and services, like food, energy, prescription drugs, mortgage payments, college tuition, and dividing the price of the basket by the price of the the previous month's basket of goods and services.

Have There Been Past Periods of High Inflation?
In the U.S. the 1970s marked a period of high inflation. During the decade the overall inflation rate was 6.8%, which was double the historical long-term average to that point, and triple what the average was in the previous two decades. During the 1970s, the U.S. saw periods of double digit inflation sparked by food shocks, energy shocks, and rising mortgage interest.

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As Per Alan S. Blinder's "Anatomy of Double-Digit Inflation in the 1970s"

Food Shock: *Due to bad weather in the United States and the rest of the world, the Consumer Price Index for food increased 20% in 1973 and 12% in 1974*.

Energy Shock: *After the Arab-Israeli conflict in October of 1973, the Organization of Petroleum Exporting Countries (OPEC) imposed an embargo against the United States. The embargo caused imported crude oil prices to quadruple with in a few months.*

Mortgage Shock: *In 1978 mortgage rates increased to 10% from 9% the previous year, representing an 11% increase in mortgage rates.*

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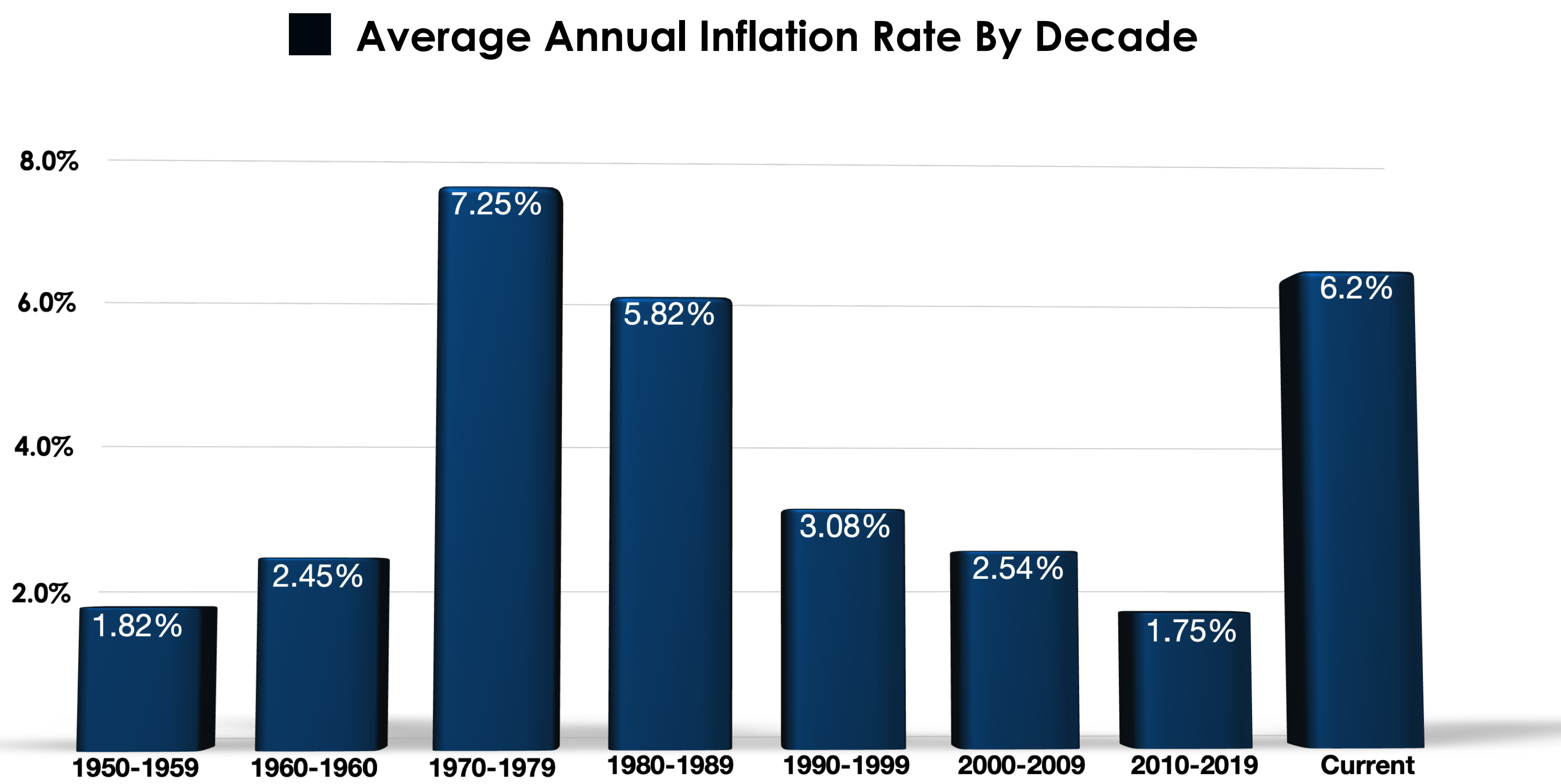


Source: InflationData.com

The pandemic has caused a bit of food shock and energy shock. A report by **Bloomberg** revealed that the price of a frozen turkey had increased 20% year-over-year heading into Thanksgiving 2021. Prior to Thanksgiving there was a noticeable shortage of chicken wings. Supply chain issues exposed by the pandemic have also contributed to food shock.

As we are putting the final touches on this issue of the newsletter, the Biden administration is releasing oil from the national reserves in order to deal with the energy shock. The rising price of energy can't be blamed entirely on the pandemic, but it was a major contributor. A reduction in oil drilling coupled with consumer demand exceeding the capabilities of alternative energy sources has led to our current energy shock

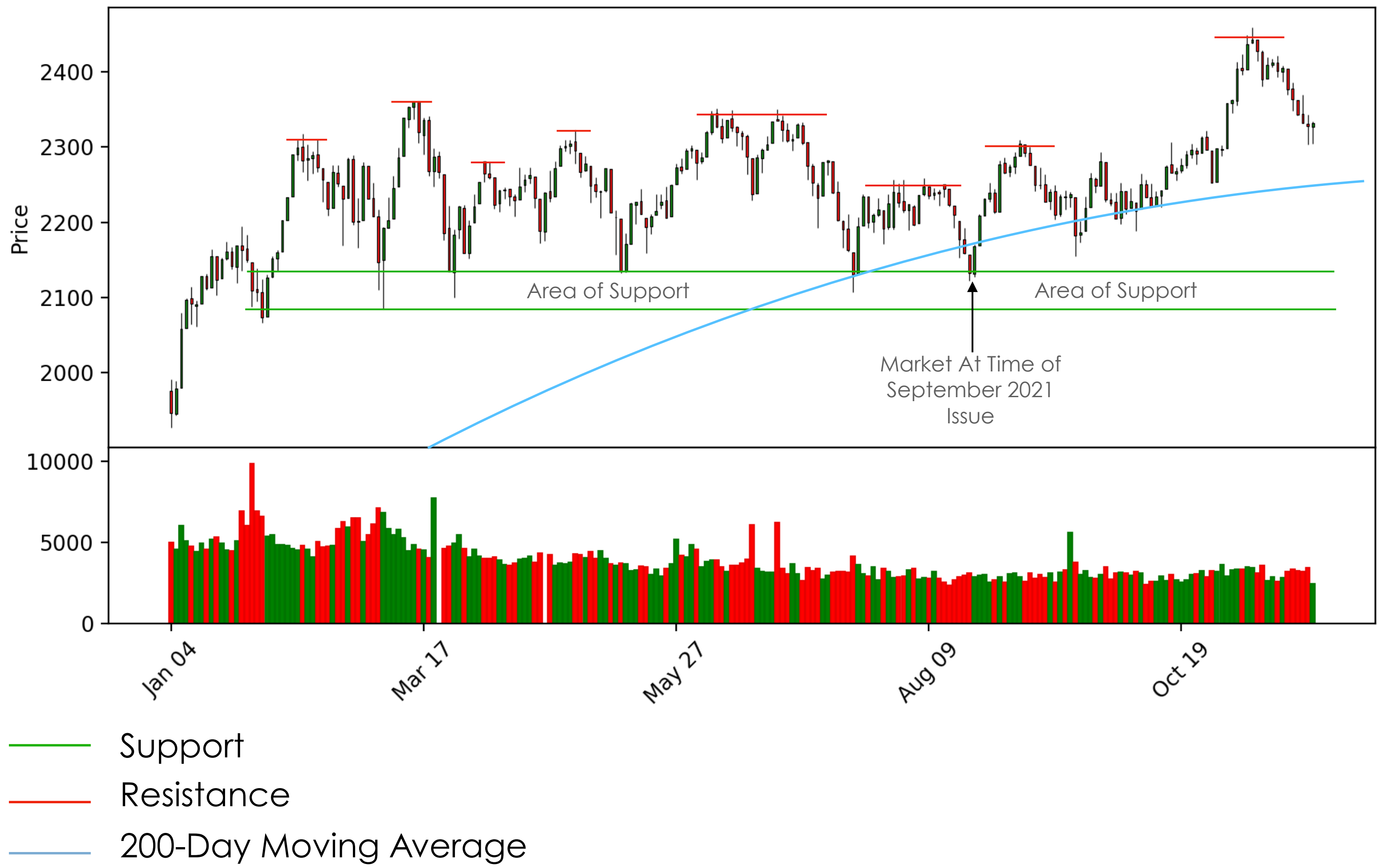
"Inflation is always and everywhere a monetary phenomenon…" - Milton Friedman

Combating Inflation
The job of combating inflation falls to the U.S. Federal Reserve. The Fed uses monetary policy to manage the money supply and credit, in order to keep inflation in check. Inflation-hedged assets like gold, Real Estate Investment Trusts (REIT), and commodities have been standards in the past for investors to combat inflation. However, we can't forget stocks. Stocks are an excellent way to combat inflation. Since its inception, the S&P 500 has an average annualized return of 10% through 2019.

Inflation
Inflation is the silent assassin of wealth. This was just an intro into what inflation is and how it can impact an investor's wealth and person's paycheck. Understanding the money supply, credit, and even the effects of hyperinflation can help investors better understand how to allocate their wealth in the future.

The Technicals

Russell 2000 in 2021

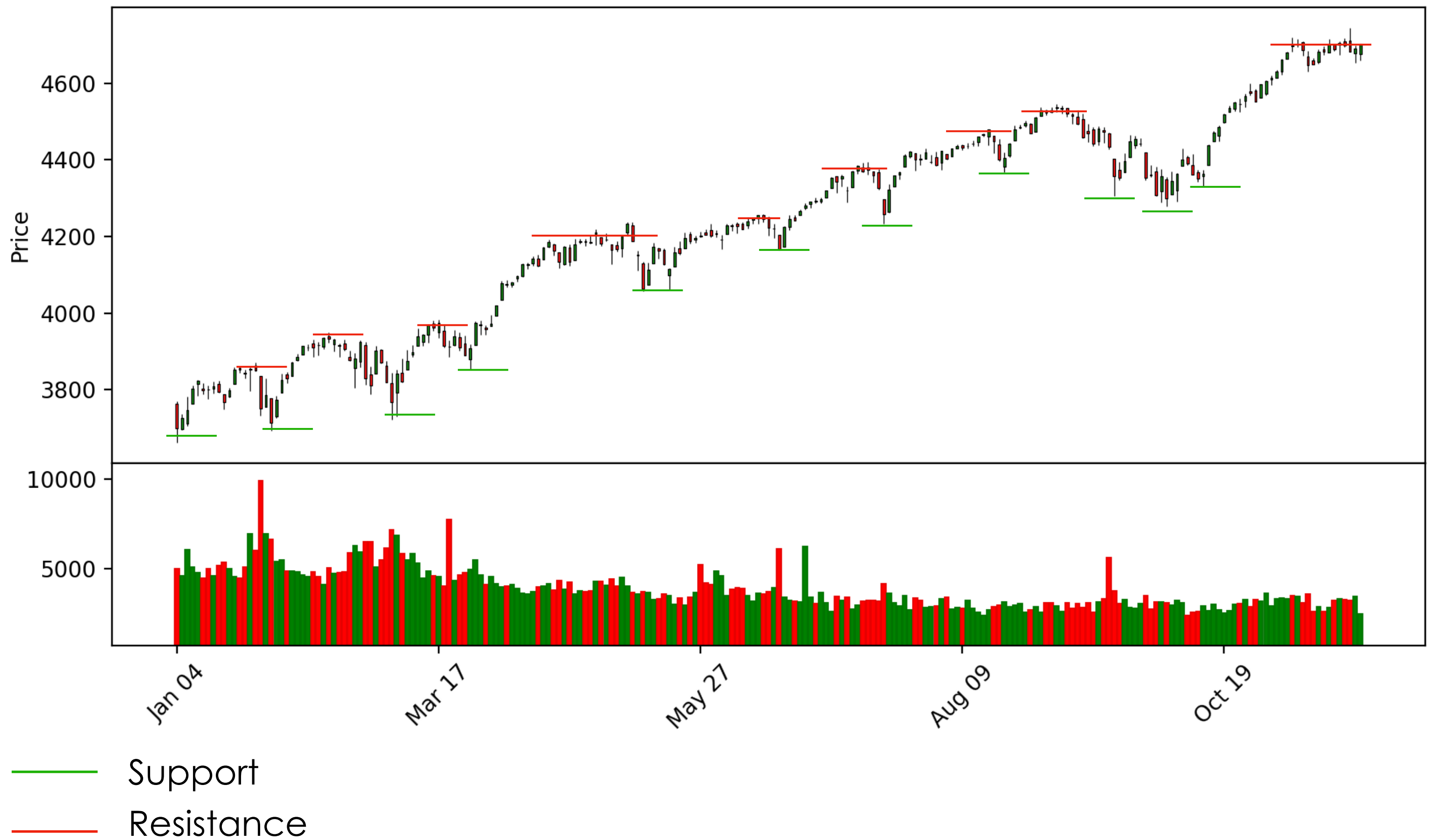


In our last newsletter we discussed the Russell 2000, and our belief that the Russell 2000 would move lower after spending most of 2021 trading sideways. The Russell 2000, which tracks the performance of small-cap stocks, did end up hitting an all-time high in early November, but since November 11, 2021 the index has been in decline. The S&P 500, shown on the following page has also been in decline since mid November.

In both cases, the Russell 2000 and the S&P 500, the technicals and the fundamentals aligned to create a good reason for investors to sell and head for the sidelines.

Technically, when markets reach new highs, it's common for investors to start profit taking. With more selling than buying occurring, the markets go into decline. As the markets made new highs, the conversation around inflation intensified, adding to that retailers reported Q3 earnings and informed investors of the hundreds of millions of dollars they missed out on due to supply chain issues, giving investors one more reason to sell stocks.

Price Data: Yahoo Finance

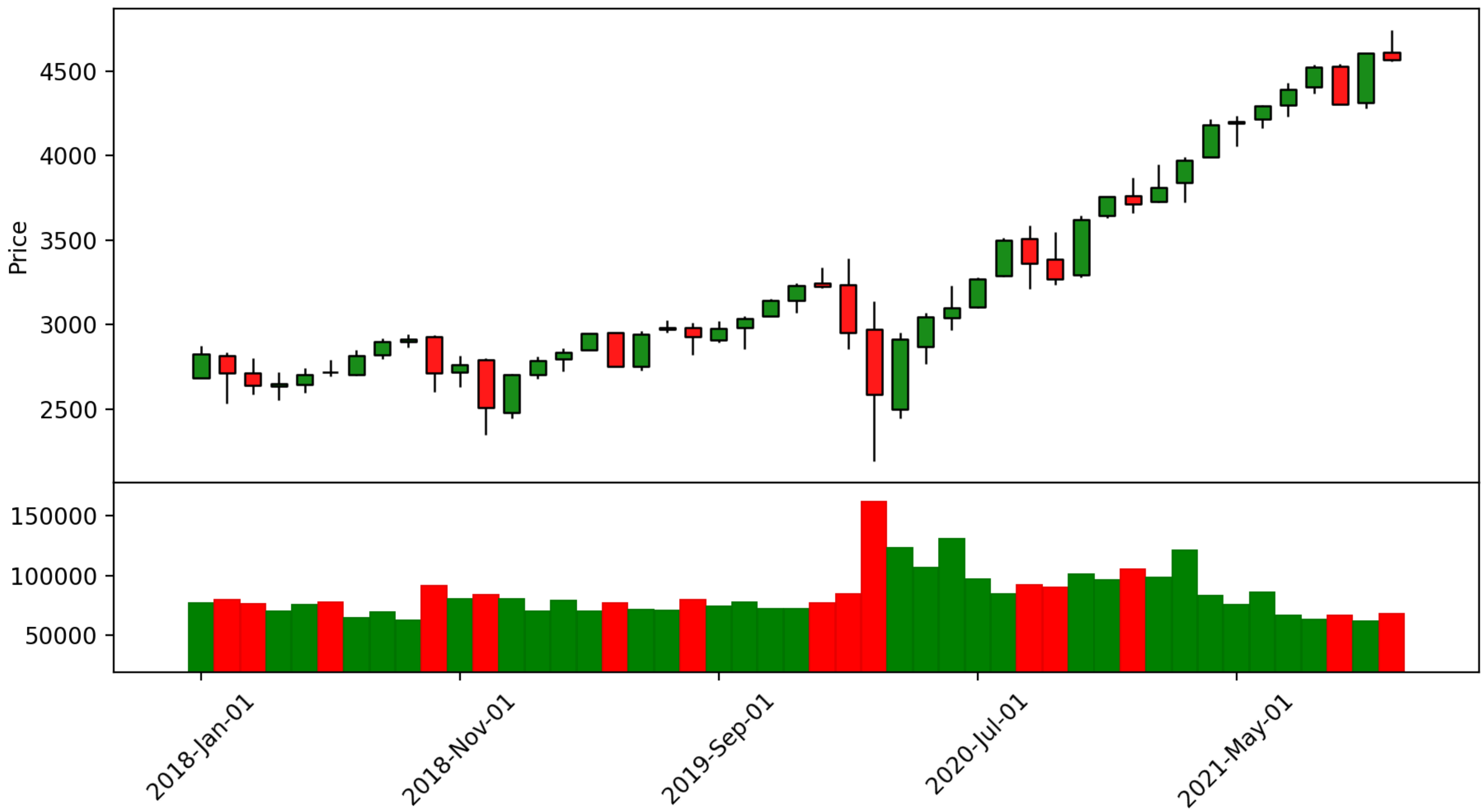


There is a great debate amongst investors about the best way to make investment decisions, by technical analysis (reading the charts) or by fundamental analysis (reading the company's numbers and news). We would advise investors, don't get caught up in the debate. Both methods of analysis can make those that understand how to use them a lot of money. While we are fundamentalists, and make most of our decisions based on the fundamentals, we are aware of what the charts are saying.

While putting the finishing touches on this issue, the news of the COVID-19 Omicron variant has begun to spread. The markets are selling off as investors anticipate another impediment to a COVID-19 free society.

Price Data: Yahoo Finance

S&P 500 (Monthly)



Short Trading Signal

The chart above is the S&P 500, but in the chart each candlestick represents a month of trading. The last candle to the right represents trading for November 2021. The November candle is what technicians call a bearish pin bar. The bearish pin bar is a good signal for technical traders who have a short bias or want the markets to decrease. Typically, when the market breaks below the low point of the bearish pin bar candle, selling accelerates driving markets lower.

Why Selling Accelerates

When looking at this chart from the viewpoint of a technical analyst, the high of every month represents an area of resistance, the low of every month represents a level of support. If markets break below the bearish pin bar, then the support area has failed to hold, meaning the sellers have overwhelmed the buyers. Short sellers will pile in once the break occurs hoping for a significant push down.

End of Year Decline

For investors hoping for the Santa Clause Rally to end the year, it doesn't appear that it's going to happen. The technicals and the current news all favor a December decline. Trade safe.

Price Data: Yahoo Finance

Quarterly Economic Data

Symbols	Assets	2/25/2021	5/25/2021	8/25/2021	11/24/2021
GC=F	Gold	$1,774.40	$1,898.10	$1,788.20	$1,784.10
SI=F	Silver	$27.64	$28.04	$23.77	$23.50
PL=F	Platinum	$1,255.60	$1,195.10	$992.80	$974.30
PA=F	Palladium	$2,420.80	$2,777.50	$2,428.90	$1,844.80
HG=F	Copper	$4.27	$4.52	$4.27	$4.46
CL=F	Crude Oil	$63.53	$66.07	$68.36	$78.39
EURUSD=X	EUR/USD	$1.22	$1.22	$1.18	$1.12
GBPUSD=X	GBP/USD	$1.41	$1.42	$1.37	$1.34
CNY=X	USD/CNY	$6.46	$6.42	$6.47	$6.39
CADUSD=X	USD/CAD	$0.80	$0.83	$0.79	$0.79
JPY=X	USD/JPY	$105.94	$108.85	$109.73	$115.14

Inflation	Jan. '21	Apr. '21	Jul. '21	Oct. '21
U.S. Inflation Rate	1.4%	4.2%	5.4%	6.2%
China Inflation Rate	-0.3%	0.9%	1.0%	1.5%
U.K. Inflation Rate	0.7%	1.5%	2.0%	4.2%
Euro Area Inflation Rate	0.9%	1.6%	2.2%	4.1%

Growth	Dec. '20	Mar. '21	Jul. '21	Sept. '21
U.S. GDP Growth	4.1%	4.1%	6.5%	2.1%
China GDP Growth	2.6%	1.5*%	1.3**%	0.2%
U.K. GDP Growth	1.0%	-1.0%	4.8%	1.3%
Euro GDP Growth	-0.6%	-0.6%	2.0%	2.2%

*April 2021
** June 2021

Quarterly Economic Data

U.S. Housing	Jan. '21	Apr. '21	Jul. '21	Oct. '21
Housing Starts	1.58M	1.51M	1.53M	1.52M
Building Permits	1.88M	1.73M	1.63M	1.65M

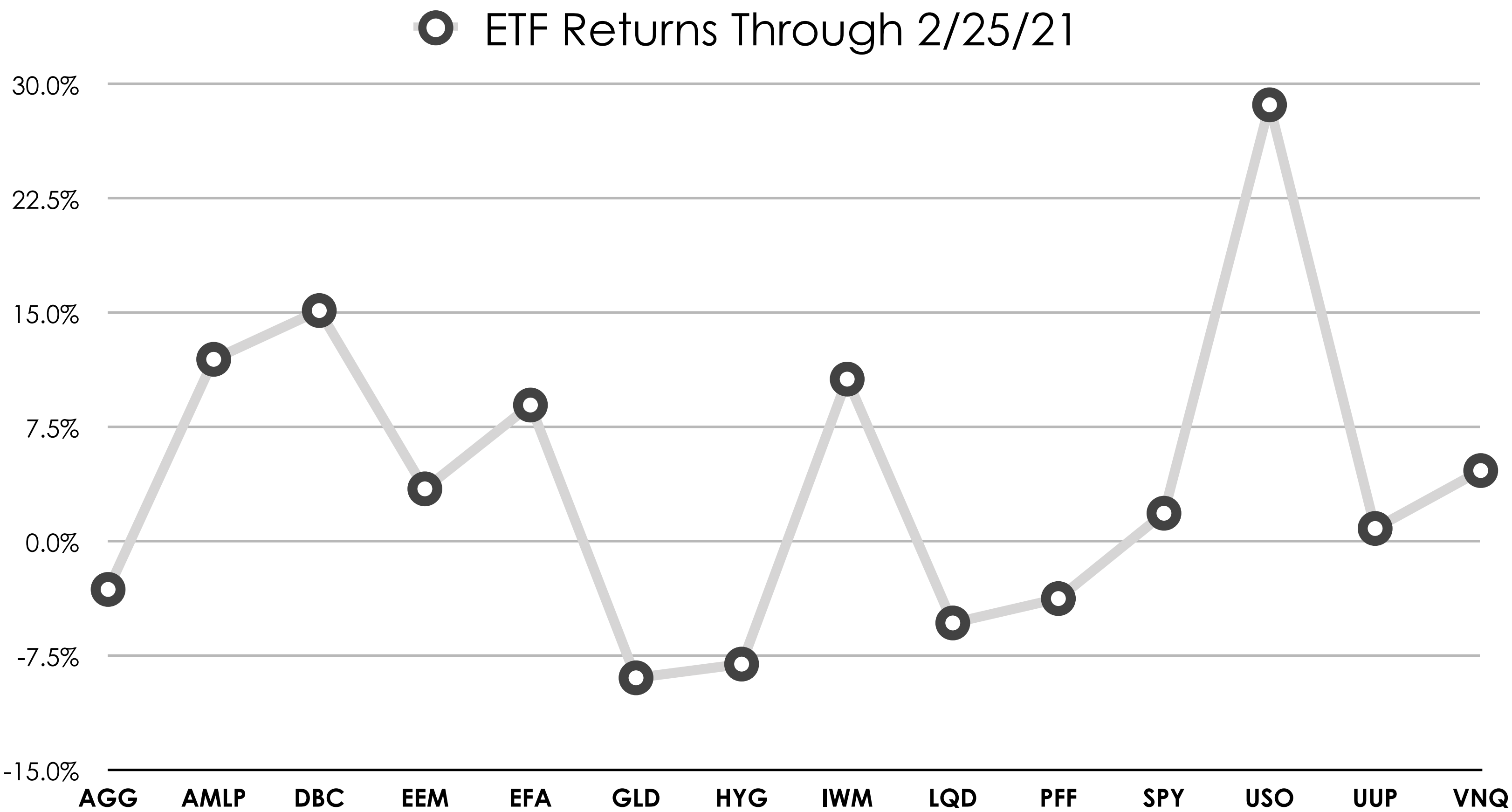
Debt	2/26/2020	5/25/2021	8/25/2021	11/29/2021
U.S. Debt	$27.9T	$28.3T	$28.6T	$28.9T
China Debt	$7.9T	$8.0T	$8.17T	$8.28T
U.K. Debt	$3.5T	$3.63T	$3.67T	$3.72T
World Debt	$79.6T	$80.1T	$80.8T	$81.4T
U.S. Student Loan	$1.71T	$1.5T	$1.73T	$1.75T

Unemployment Rates	Dec. '20	Apr. '21	Jul '21	Oct. '21
U.S. Unemployment	6.3%*	6.1%	5.4%	4.6%
U.K. Unemployment	5.1%	4.8%**	4.7%***	4.3%^
Euro Area Unemployment	8.3%	8.0%	7.7%***	7.4%^
China Unemployment	5.2%	5.1%	5.1%	4.9%

* January 2021 (U.S. Unemployment) | ** March 2021 (U.K. Unemployment)
*** June 2021 (U.K.& Euro Area Unemployment) | ^ September 2021 (U.K.& Euro Area Unemployment)

The declining U.S. unemployment rate has been something to celebrate in 2021.

Quarterly Economic Data



ETF	Asset Tracked	Price	Returns as of 11/26/21	ETF	Asset Tracked	Price	Returns as of 11/26/21
AGG	Intermediate Term Bonds	$114.52	-3.0%	**IWM**	Small Caps	$222.85	12.8%
AMLP	Energy (MLPs)	$33.18	27.0%	**LQD**	Corporate Bonds	$132.68	-3.8%
DBC	Commodities	$20.03	35.0%	**PFF**	Preferred Stocks	$38.37	-0.5%
EEM	Emerging Markets	$48.70	-7.4%	**SPY**	S&P 500	$458.97	22.3%
EFA	Developed Markets (minus U.S. & Canada)	$77.13	3.7%	**USO**	U.S. Oil	$49.63	50.4%
GLD	Gold	$166.85	-8.3%	**UUP**	US Dollar	$25.77	6.8%
HYG	High Yield Bonds	$85.47	-2.2%	**VNQ**	Real Estate Investment Trust (REITs)	$108.00	26.8%

S&P 500 SECTOR AVERAGES

11/26/2021

Sectors	Communication Services	Consumer Staples
Average Price	$337.97	$111.69
Average Trailing P/E	32.36x	28.59x
Average Forward P/E	24.35x	21.94x
Average Price/Sales (ttm)	3.53x	3.09x
Average Price/Book (mrq)	5.03x	14.53x
Average Price/CashFlow	28.8x	17.7x
Average Quick Ratio	1.66	0.72
Average Current Ratio	1.89	1.32
Average Total Debt to Equity	226.84	206.51
Average Total Debt to Capital	45.29	58.71
Average Return on Equity (%)	6.47	50.13
Average Return on Assets (%)	5.94	8.31
Average ROIC (ttm) (%)	5.70	14.82
Average Book Val./Market Val. (%)	43.05	26.36
Average Asset Turnover	0.51	1.04
Average Inventory Turnover (ttm)	35.90	6.63
Average EBITDA	$17,970,388,077	$6,299,971,875
Average Operating Margin (%)	18.02	18.37
Average Profit Margin (%)	11.02	11.07
Average Gross Margin (ttm) (%)	44.86	37.93
Average Revenue	$54,798,461,538	$53,061,562,500
Average Market Cap	$250,231,538,462	$81,538,125,000
Average Enterprise Value	$269,043,461,538	$93,498,125,000
Average Enterprise Value/Revenue	3.91	3.51
Average Enterprise Value/EBITDA	10.27	18.19

S&P 500 SECTOR AVERAGES

11/26/2021

Sectors	Consumer Discretion	Energy
Average Price	$391.71	$57.27
Average Trailing P/E	55.0x	35.68x
Average Forward P/E	33.12x	13.12x
Average Price/Sales (ttm)	5.03x	2.11x
Average Price/Book (mrq)	14.51x	2.41x
Average Price/CashFlow	12.44x	9.14x
Average Quick Ratio	1.01	1.00
Average Current Ratio	1.94	1.35
Average Total Debt to Equity	228.45	132.65
Average Total Debt to Capital	72.23	45.03
Average Return on Equity (%)	59.24	16.54
Average Return on Assets (%)	7.58	3.46
Average ROIC (ttm) (%)	4.74	-15.00
Average Book Val./Market Val. (%)	19.44	50.93
Average Asset Turnover	1.06	0.62
Average Inventory Turnover (ttm)	15.01	19.26
Average EBITDA	$4,139,270,806	$6,397,597,500
Average Operating Margin (%)	-35.20	13.07
Average Profit Margin (%)	9.39	6.47
Average Gross Margin (ttm) (%)	28.23	25.56
Average Revenue	$29,683,373,387	$37,966,250,000
Average Market Cap	$91,592,903,226	$47,620,416,667
Average Enterprise Value	$101,290,967,742	$60,318,750,000
Average Enterprise Value/Revenue	7.69	3.03
Average Enterprise Value/EBITDA	27.48	8.71

S&P 500 SECTOR AVERAGES

11/26/2021

Sectors	Finance	Healthcare
Average Price	$163.07	$263.70
Average Trailing P/E	16.83x	36.87x
Average Forward P/E	16.0x	26.58x
Average Price/Sales (ttm)	4.35x	6.15x
Average Price/Book (mrq)	3.6x	23.17x
Average Price/CashFlow	15.1x	25.58x
Average Quick Ratio	10.15	1.55
Average Current Ratio	1.50	2.17
Average Total Debt to Equity	47.25	174.62
Average Total Debt to Capital	36.31	41.67
Average Return on Equity (%)	17.65	41.17
Average Return on Assets (%)	3.51	8.99
Average ROIC (ttm) (%)	7.85	9.14
Average Book Val./Market Val. (%)	68.27	22.96
Average Asset Turnover	0.20	0.97
Average Inventory Turnover (ttm)	0.16	7.88
Average EBITDA	$3,886,533,492	$6,231,126,129
Average Operating Margin (%)	33.26	22.22
Average Profit Margin (%)	24.99	20.45
Average Gross Margin (ttm) (%)	55.64	44.57
Average Revenue	$25,878,813,333	$41,392,416,290
Average Market Cap	$72,067,460,317	$82,888,387,097
Average Enterprise Value	$35,100,793,651	$91,488,064,516
Average Enterprise Value/Revenue	2.72	6.34
Average Enterprise Value/EBITDA	4.75	21.88

S&P 500 SECTOR AVERAGES

11/26/2021

Sectors	Industrials	Information Tech.
Average Price	$186.98	$219.99
Average Trailing P/E	48.01x	50.1x
Average Forward P/E	33.57x	27.0x
Average Price/Sales (ttm)	3.5x	8.16x
Average Price/Book (mrq)	5.95x	29.38x
Average Price/CashFlow	23.01x	23.27x
Average Quick Ratio	1.15	1.65
Average Current Ratio	1.67	2.01
Average Total Debt to Equity	138.14	131.90
Average Total Debt to Capital	52.91	50.57
Average Return on Equity (%)	53.61	47.40
Average Return on Assets (%)	7.13	9.16
Average ROIC (ttm) (%)	5.54	14.26
Average Book Val./Market Val. (%)	16.39	15.63
Average Asset Turnover	0.89	0.69
Average Inventory Turnover (ttm)	24.10	10.78
Average EBITDA	$2,707,849,429	$6,996,350,972
Average Operating Margin (%)	14.70	24.10
Average Profit Margin (%)	10.74	19.98
Average Gross Margin (ttm) (%)	28.92	52.22
Average Revenue	$17,942,714,286	$21,448,353,889
Average Market Cap	$41,089,857,143	$157,484,027,778
Average Enterprise Value	$48,634,857,143	$160,688,611,111
Average Enterprise Value/Revenue	3.89	8.30
Average Enterprise Value/EBITDA	15.50	28.44

S&P 500 SECTOR AVERAGES

11/26/2021

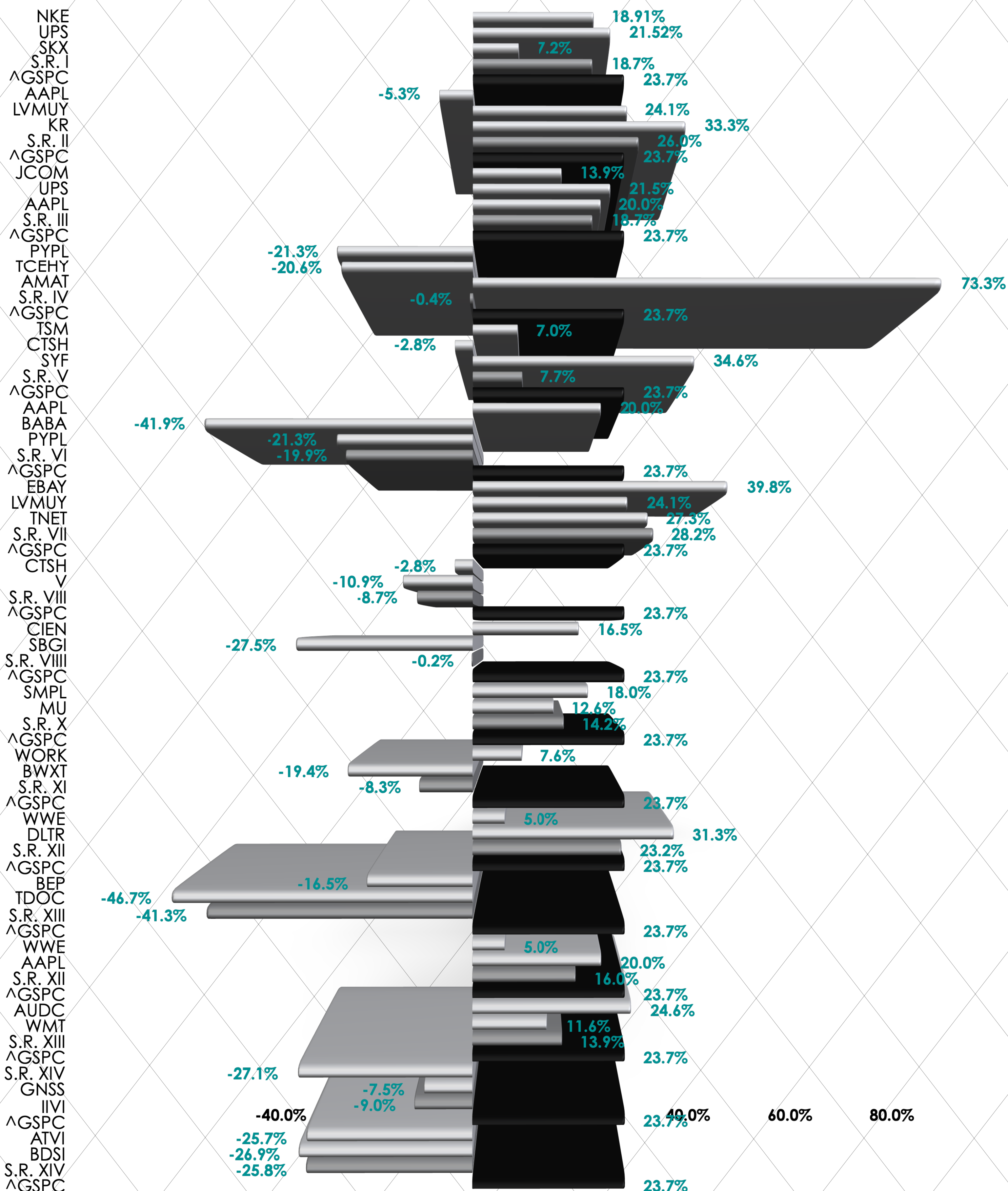
Sectors	Materials	Real Estate
Average Price	$141.89	$162.36
Average Trailing P/E	28.58x	71.12x
Average Forward P/E	17.73x	112.09x
Average Price/Sales (ttm)	2.74x	11.22x
Average Price/Book (mrq)	7.58x	5.08x
Average Price/CashFlow	14.96x	17.78x
Average Quick Ratio	1.29	498.25
Average Current Ratio	1.95	6.35
Average Total Debt to Equity	209.00	160.84
Average Total Debt to Capital	45.82	56.88
Average Return on Equity (%)	45.93	13.10
Average Return on Assets (%)	6.76	2.99
Average ROIC (ttm) (%)	7.17	3.58
Average Book Val./Market Val. (%)	34.47	28.79
Average Asset Turnover	0.70	0.22
Average Inventory Turnover (ttm)	6.01	0.00
Average EBITDA	$3,780,000,000	$1,781,680,345
Average Operating Margin (%)	16.86	27.54
Average Profit Margin (%)	12.65	26.97
Average Gross Margin (ttm) (%)	25.79	56.44
Average Revenue	$16,032,692,308	$4,066,382,414
Average Market Cap	$37,133,076,923	$35,985,172,414
Average Enterprise Value	$42,778,076,923	$46,387,586,207
Average Enterprise Value/Revenue	3.14	14.97
Average Enterprise Value/EBITDA	13.83	23.33

S&P 500 SECTOR AVERAGES

2/26/2021

Sectors	Utitlies	S&P 500
Average Price	$73.29	$191.81
Average Trailing P/E	22.17x	38.66x
Average Forward P/E	17.5x	31.18x
Average Price/Sales (ttm)	2.83x	4.79x
Average Price/Book (mrq)	2.28x	10.32x
Average Price/CashFlow	131.2x	29.0x
Average Quick Ratio	0.48	47.17
Average Current Ratio	0.88	2.09
Average Total Debt to Equity	161.97	165.29
Average Total Debt to Capital	59.53	51.36
Average Return on Equity (%)	10.87	32.92
Average Return on Assets (%)	3.20	6.09
Average ROIC (ttm) (%)	4.09	5.63
Average Book Val./Market Val. (%)	45.46	33.79
Average Asset Turnover	0.26	0.65
Average Inventory Turnover (ttm)	14.33	12.73
Average EBITDA	$4,376,666,667	$5,869,766,845
Average Operating Margin (%)	22.11	15.91
Average Profit Margin (%)	10.66	14.94
Average Gross Margin (ttm) (%)	43.24	40.31
Average Revenue	$12,031,111,111	$28,572,921,005
Average Market Cap	$31,067,037,037	$84,427,091,097
Average Enterprise Value	$52,443,703,704	$91,061,181,594
Average Enterprise Value/Revenue	4.74	5.66
Average Enterprise Value/EBITDA	14.87	17.02

The Portfolio


NKE 18.91%
UPS 21.52%
SKX 7.2%
S.R. I 18.7%
^GSPC 23.7%
AAPL -5.3%
LVMUY 24.1%
KR 33.3%
S.R. II 26.0%
^GSPC 23.7%
JCOM 13.9%
UPS 21.5%
AAPL 20.0%
S.R. III 18.7%
^GSPC 23.7%
PYPL -21.3%
TCEHY -20.6%
AMAT 73.3%
S.R. IV -0.4%
^GSPC 23.7%
TSM 7.0%
CTSH -2.8%
SYF 34.6%
S.R. V 7.7%
^GSPC 23.7%
AAPL 20.0%
BABA -41.9%
PYPL -21.3%
S.R. VI -19.9%
^GSPC 23.7%
EBAY 39.8%
LVMUY 24.1%
TNET 27.3%
S.R. VII 28.2%
^GSPC 23.7%
CTSH -2.8%
V -10.9%
S.R. VIII -8.7%
^GSPC 23.7%
CIEN 16.5%
SBGI -27.5%
S.R. VIIII -0.2%
^GSPC 23.7%
SMPL 18.0%
MU 12.6%
S.R. X 14.2%
^GSPC 23.7%
WORK 7.6%
BWXT -19.4%
S.R. XI -8.3%
^GSPC 23.7%
WWE 5.0%
DLTR 31.3%
S.R. XII 23.2%
^GSPC 23.7%
BEP -16.5%
TDOC -46.7%
S.R. XIII -41.3%
^GSPC 23.7%
WWE 5.0%
AAPL 20.0%
S.R. XII 16.0%
^GSPC 23.7%
AUDC 24.6%
WMT 11.6%
S.R. XIII 13.9%
^GSPC 23.7%
S.R. XIV -27.1%
GNSS -7.5%
IIVI -9.0%
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ATVI -25.7%
BDSI -26.9%
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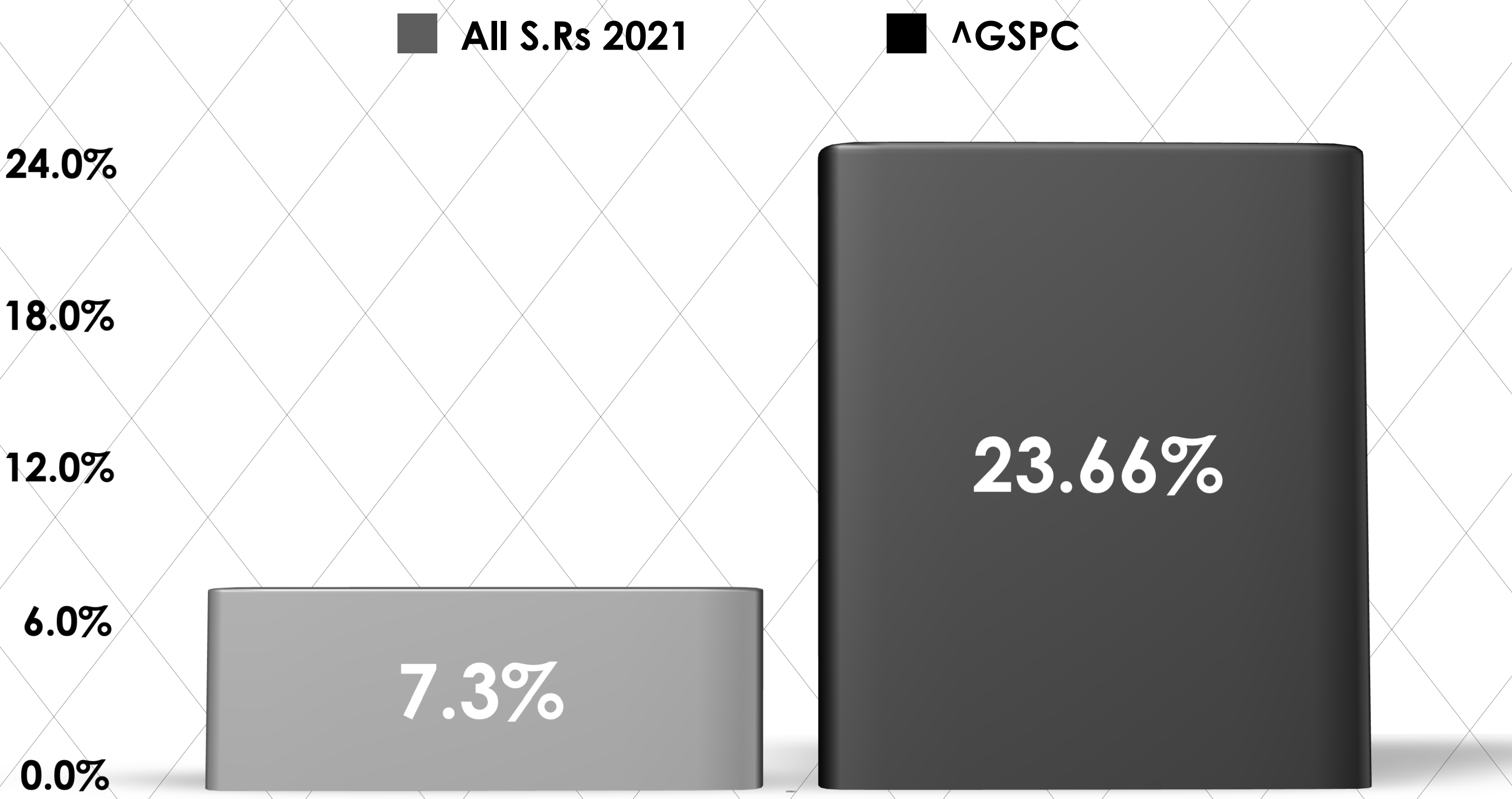
80.0%



The first chart on the previous page represents the returns on our recommendations in 2021. 2021 has been a rollercoaster, and we'll discuss why that has been in The Good, The Bad, and The Ugly.

Above is a bar chart comparing the 2021 performance of The Seville Report's recommendations to the S&P 500. We've lagged the broader markets in 2021, but there's no panic on our side. We're thinking long-term and investing in companies that the world is moving towards. If our assessments and research prove to be even slightly accurate, our investments selections should outperform the markets in the long run.

The Good, The Bad, and The Ugly

The Good
Apple (AAPL), Dollar Tree (DLTR), AudioCodes (AUDC)

Apple: We recommended Apple to close out 2020. We believed the pullback after the split was a great time to get involved in a company that was going into an upgrade cycle with its Mac line after debuting its new in-house silicon made specifically for its Mac lineup. The stock is up 30% in 2021.

Dollar Tree (DLTR): Dollar Tree has underperformed since our recommendation back in mid 2020. Lately the stock has gained momentum. In late September news broke that the company was experimenting with higher prices, and the stock price rose on the news. The stock is up 63.5% since September 28, 2021

AudioCodes: AudioCodes has registered a quiet 24% gain since our recommendation. Recently the company reported a quarterly earnings per share of $0.38, which was in-line with estimates. The company recently acquired Callverso, a leading provider of conversational AI.

The Bad
The bad has been our last four recommendations. While we're investing with a long-term timeframe in mind, seeing big declines isn't easy to deal with. We remain committed to the recommendations, and have used the price declines as a buying opportunity.

The Ugly
PayPal (PYPL), Sinclair Broadcast Group (SBGI), Teladoc (TDOC), Alibaba (BABA), Tencent (TCEHY)

PayPal: We recommended PayPal a few years ago while it was in the $80 range. It currently sits above $230 per share. But in 2021, the stock is down over 20%. Investors have moved money from PayPal and into any fintech that specializes in Buy-Now-Pay-Later. Also, PayPal's rumored acquisition of Pinterest did not go over well with investors.

Sinclair Broadcast Group (SBGI): We recommended SBGI in late 2019. The company went on a spending spree prior to the recommendation and acquired rights to broadcast some of sports most popular names, then COVID-19 happened and there were no sports to broadcast. The stock started to rebound in late 2020 and early 2021, but has hit another rough stretch and is down 27.5% in 2021.

Teladoc (TDOC): Recommend in 2020, Teladoc hit our target a few short months after it was recommended. Since hitting the target it's been on a decline. The stock is down 50% in 2021. Investors have fled the stock because of increased competition in the telephone medicine industry and also because of the expectation that once we're past COVID-19, people will be back to visiting doctors in person. The competition is a definite threat to the position, but we believe that telemedicine is more than a fad, and that it will continue to grow and evolve over the next several years, and that Teladoc will lead this evolution.

Alibaba (BABA) and Tencent (TCEHY): Alibaba and Tencent made our ugly list last quarter. As China continues to reshape the way it allows its largest companies to operate, our investments in Alibaba and Tencent suffer. We recommended both stocks several years ago, and saw great gains in both, but today, both are down significantly. Alibaba and Tencent are great companies, and may be great investments in the future, but the Chinese Communist Party's heavy hand makes buying the dip and extremely risky investment.

Reviewed Stocks That Didn’t Make the Report

Company	Stock	Price	Grade
Global Payments	GPN	$134.59	D
Nextech AR Solutions	NEXCF	$1.48	C
NCR	NCR	$39.41	F
Him & Hers Health	HIMS	$8.60	D
Ironwood Pharmaceuticals	IRWD	$13.35	F
ROOT	ROOT	$5.00	F
Paysafe	PSFE	$4.58	D
Digital Ocean	DOCN	$77.00	C
Bumble	BMBL	$53.00	Incomplete

Our research over the past three months has focused on Web3, the Blockchain, and the metaverse. Our goal is to identify the companies that will take the lead during the next evolution of the internet.

From the stocks that we did get a chance to thoroughly review and research, **Digital Ocean** was a very clear candidate to be selected for this issue, but since our research the stock has increased significantly. **Nextech AR Solutions** was an interesting company to research. It’s a company that the world is moving towards. As augmented reality and virtual reality become more intertwined in our daily lives, a company like Nextech AR should increase in value. However, we felt best to wait and review the company over a few more quarters before recommending.

How to Use The Seville Report

Thanks for checking out The Seville Report; we hope it adds value to your investment plan.

Every quarter we release a newsletter that highlights three investments that we are keen on. These investment ideas will vary from industry-to-industry and sector-to-sector. In addition, the investment ideas may be growth companies, blue chip companies, or anything in between. Our goal is to find undervalued companies that will rise in value over the long term.

Every company/ investment idea will have a break down of what the company does, why we like the company as an investment, what risk are involved with the investment, a peer review by the numbers, a buying range, a list of Wall Street firms upgrading or downgrading the company, and a summary.

Each company is given a grade. The grades can range from +A to C. In our metric a C is the lowest a company can grade for us to consider it investment worthy, an +A is the highest grade. Companies that grade out at D and F do not make the newsletter, but are noted in our "Stocks That Didn't Make the Report" section.

How to Use The Seville Report

3 Year Revenue Growth	✓
3 Year Net Income Growth	✗
Dividend	✓
Share Buyback/Share Repurchase	✓
Quality Growth Prospects	✓
Insider Buying	✗
Passing Driver Grade	✓
Overall Grade	C

It should be noted that the seven items listed in the graphic contribute to the overall grade, but are not solely responsible for the grade. There may be instances where a company may have three checks – a good thing – and four "Xs" - a bad thing - but receive a "B" rating; and a different company may have five checks and two "Xs" and get a "C" rating. Again, the list of seven contributes to the overall grade, but does not make up the entire grading process.

It's not uncommon for us to mention a company in back-to-back newsletters or recommend the same company again in the future. If we feel the company's stock represents a bargain we we'll recommend it again. We believe why buy 50 okay stocks, when you can invest in 10 – 12 good companies.

Before purchasing any investment listed in The Seville Report independent research should be conducted. Also, investments that are being considered should align with a pre-determined investment plan.

How to Use The Seville Report

Our buying range or buy zone is our personal area where we believe the investment offers value. If a stock breaches below our buy zone, it doesn't necessarily mean we will sell the investment. We will however reassess our research and the company to determine if the fundamentals have changed.

We do list target prices that we expect our investments to reach. We may not sell our entire investment at the target price, we may sell a portion or decide to continue holding the investment if it trades above our target.

Each investor should purchase and sell investments according to their investment plan and strategy.

For the times when our investments fall below our buy zone, purchasers or subscribers of The Seville Report usually receive an email from us explaining our position and opinions.

However, we tend not to put too much weight in the day-today fluctuations of the market. If a stock price trades below our buy zone today, a Seville Report purchaser may not receive an email that day.

Questions are always welcome. Should any Seville Report purchaser have any questions please feel free to email us Pblack@sevillereport.com or sevillereport@gmail.com. We will do our best to respond as soon as possible.

Thanks again for purchasing The Seville Report.

Glossary

Book Value-to-Market Value: This is a metric used to find a company's value by comparing its book value to its market value.
Side Note: This became a key metric in our review after reading the Fama-French research reports.

Capex: Capital Expenditure: This is money spent by a company to maintain or acquire fixed assets like equipment, land, and buildings.

Dividend: A sum of money paid regularly by a company from company profits to its shareholders. Payments are typically made quarterly.

Insider Buying: The purchase of shares of a company's stock by someone employed by the company.

Lockup Period: The timeframe in which investors are prohibited from redeeming or selling shares in a particular investment.

Market Cap: Market Capitalization: This represents the value of a company traded in the stock market. The Market Cap is obtained by multiplying the outstanding number of shares to the current share price.

Net Debt: This is a metric we use to compare the amount of debt the company carries with the amount of cash the company carries. (When we note that the company has negative net debt, this means the company has more debt than it has cash and cash equivalent).

P/B: Price-to-Book, a metric used to compare a stocks market value to its book value. The Price-to-Book is calculated by dividing the current price of the stock by the company's latest quarter's book value per share. The lower the P/B the more attractive the investment.

P/CF: Price-to-Cash Flow, a metric used to measure a company's stock price to its cash flow per share. It is calculated by dividing the company's share price by the company's cash flow per share. A company with a low P/CF is said to have value when compared to other stocks in its industry or sector.

P/E: Price-to-Earnings, or price multiple: The P/E is a metric used to measure the value of a company by dividing the company's current stock price by its earnings per share.
The lower the P/E the more attractive the investment**.**

P/S: Price-to-Sales, a metric used to value each dollar the company earns in revenue. The Price-to-Sales is calculated by dividing the companies market capitalization by its total revenue. The lower the P/S the more attractive the investment

R.O.A.: Return on Assets: This metric is used to determine how profitable a company is relative to its total assets. It gives an investor an ideal of how effective management is in using its assets to generate revenue.

R.O.E.: Return on Equity: This metric is used to determine how profitable a company is relative to its shareholders equity. It gives an investor an ideal of how effective management is in using money shareholders have invested to generate revenue.

Share buyback/ Share Repurchase: When a company buys back its own shares from the marketplace, reducing the number of outstanding shares.

Winners Circle: The Winner Circle is a group of stocks that we have reviewed in the past that went on to increase in value, at times hitting the expected target and others times exceeding the target price. We compare stocks currently under review to the Winners Circle to get a broader reference about the stock.

10K: The company's yearly report. This is where the company reveals to the public how much money it has made or lost in the last year of business. The 10K also reveals the company's assets, liabilities, and cash flow for the last year.

10Q: The company's quarterly report. This is where the company reveals to the public how much money it has made or lost in the last quarter. The 10Q also reveals the company's assets, liabilities, and cash flow for the last quarter.

Things You Need to Know

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The Soundtrack

The collection of music we rocked out to while working on this issue of The Seville Report

Artist	Song/Album
Tyler, The Creator	Call Me If You Get Lost
Nas	King’s Disease II
Coldplay	X&Y
Alanis Morissette	Jagged Little Pill
Taylor Narain	Neo
Capital STEEZ	Free The Robots
Morray	Nothing Now
Morray	Switched Up
Moneybagg Yo	Wokesha
DaBaby	ROOF
Young Dolph	100 Shots
Young Dolph	Major
Deem Spencer	Se Réveiller
Jay-Z, Kanye West	Otis
Lofi Ghostie	Netflix Coding Session

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