The Seville Report

The Investment Newsletter

Foreword

First and foremost, I want to apologize in advance for the long foreword. I try to ration my thoughts to keep this short, sweet, and to one page, but I would like to share a personal mistake, that I hope will be a major benefit to you in the future.

I try not to have regrets. It's difficult at times, but I work at it. It does me no good to constantly focus on things I should've done or said in the past. But there's one thing that eats at me, and that's my investment behavior during the Great Recession. During the Great Recession I had a very stable job, not only was my company not laying people off, the company was hiring during the Great Recession. The company also paid out a generous profit-sharing bonus in 2008 and 2009. In addition to my full-time position, I had a part-time job. I was fortunate enough to have enough disposable income to be a super consumer of cheap assets, but I wasn't.

Today, I still find it hard to get over how I invested during the recession. I regret not being more aggressive, not investing more, not buying any Amazon or Google. The Great Recession brought a lot of uncertainty, but most of us were certain that the internet and shopping online would survive, and they did. I did invest in oil companies and a few banks during the recession, but that was at the suggestion of older investors who knew more about recessions and depressions than I did at the time. On their recommendations I played it safe. I did okay, but I could've done so much better.

During the Great Recession I had forgotten an important lesson that I learned during the dot-com bubble burst, and that lesson is that fringe and niche things on one side of the economic slow down become the standard on the other side of the slowdown.

Before the dot-com bubble, there were people who still looked at the internet as niche. Older investors who could only understand manufacturing and brick-and-mortar businesses didn't believe the internet wasn't as important as it was. During the nation's recovery from the dot-com bubble burst, the internet was no longer niche, and you could no longer be a serious business and not have an internet presence. On the other side of the Great Recession, the app economy exploded, and mobile internet usage also exploded. The iPhone, apps, and mobile internet were all there before the Great Recession, but after the Great Recession they were indispensable to life as we know it today. Same goes for electric cars (Tesla), entertainment-on-demand (Netflix), and video streaming (YouTube/Google). All were there before the Great Recession, and took off after the Great Recession. What's out there today that could be big on the other side of our current economic slowdown? If you know the answer, don't talk about it, invest in it.

Though the government has not officially said we're in a recession, companies are cutting jobs and budgets like they're expecting one. My advice to anyone reading this, is to invest a little more now while things look bad. And expect that the economy will get worse before it gets better. But keep accumulating money making assets while there's doom and gloom in the air. There is big potential for these assets to reward you when doom and gloom is replaced by hope and optimism.

This quarter we only have one recommendation. Our search for investable companies provided us with several good companies that we believe have further to fall in price before we put money into them.

The company we are recommending this quarter has been impacted by a slow down in advertising and marketing, high inflation, rising interest rates, and the war in Europe. Still, it's a company that is highly rated in its industry and it's a company that could have a big bounce back when the economy returns to hope and optimism.

In addition to our recommendation we investigate a topic that had been making the rounds on social media, and that's the Index Universal Life Insurance policy, and its potential to be an infinite bank. If you hope to have an endless supply of cash when you retire, this article is worth checking out. We also look into why gas prices were so high in 2022. It's probably not for the reasons you think.

Overall, we hope this issue brings value to you and your investment strategy. Thanks for checking out The Seville Report.

Sincerely,

Paul Black

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Time is the most powerful force in investing. It makes little things grow big and big mistakes fade away.
– Morgan Housel

PUBMATIC

PUBM

$18.87

P/E

20.2X

TRAILING

P/S

4.38X

(TTM)

ROE

22.3%

(TTM)

ROA

7.39%

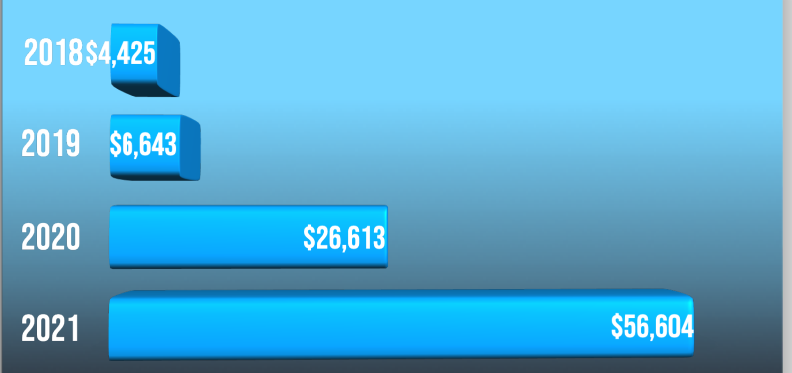
(TTM)

REVENUE

IN THOUSANDS

NET INCOME

IN THOUSANDS



TARGET PRICE

$30.00

DIVIDEND YIELD

N/A

INDUSTRY

SOFTWARE - APPLICATIONS

GRADE

C+

What Does PubMatic Do

PubMatic, Inc. provides a cloud infrastructure platform that enables real-time programmatic advertising transactions for Internet content creators and advertisers worldwide. The company's solutions include Openwrap, a header bidding solution that provides enterprise-grade management and analytics tools; Openwrap OTT, a header bidding management solution for OTT; Openwrap SDK, a header bidding solution for in-app developers; private marketplace solutions; and media buyer consoles. In addition, it offers Real-Time Bidding (RTB) programmatic technologies, which provides various selling options across screens and ad formats; digital advertising inventory quality solutions to detect and filter out invalid traffic and other nefarious activity; Ad quality solutions targeting the reduction of security issues, quality issues, and performance issues; Identity Hub, an identity solution that allows for the use of any advertiser preferred user identifier in a scaled and privacy-compliant fashion; Audience Encore, an audience data platform; and cross-platform video, a sell side platform, which connects trusted video buyers to premium publishers. The company's platform supports an array of ad formats and digital device types, including mobile app, mobile web, desktop, display, video, over-the-top (OTT), connected television, and media.

Why Invest in PubMatic

- An economic slowdown caused by high inflation, and raised interest rates to curtail rising inflation has reduced the stock prices of good companies.
- Companies focused on surviving the economic slow down have cut their advertising spending, which has also contributed to PubMatic's decline.
- PubMatic has good opportunities to grow revenue ahead of it. The opportunities ahead, coupled with improved global economics in the future makes PubMatic an attractive company.

PubMatic is one of the top programmatic advertising platforms. Specializing on the sell-side, PubMatic allows digital content creators to find advertisers for their content. In 2022, the stock has declined 45%, a much steeper decline than the S&P 500, which is down 17.6% in 2022 as of this writing. PubMatic became a public company in December of 2020. The IPO was priced at $20 per share, and the stock price would trade to a $76 high in March 2021. Since then, the stock price has been in decline.

Reasons for Falling Prices

Inflation, rising interest rates, and the war in Europe have all played their part in PubMatic's stock price decline. With the United States close to, but actively trying to fight off its next recession, enterprises have cut back on their advertising, which has had a big impact on companies that rely on advertising for their income. The overall stock market decline that started in 2021 hit tech companies hard, and hit tech companies with high valuations and little to no profits even harder. But in the time that PubMatic's stock has been in decline, the company has been doing fairly well. Over the last four quarters, the company has registered year-over-year revenue growth of 54%, 34%, 25%, and 27%. While the year-over-year growth is trending down, it's still impressive considering the growth has been mostly organic. In addition to good revenue growth, PubMatic is also a profitable company and has produced positive free cash flow over its last five quarters.

Opportunities

There are opportunities opening up for PubMatic, one in particular that stands out is the opportunity within connected television or CTV. CTV is the device that connects to a streaming service, like an Apple TV, Roku, Chromecast, Xbox, Playstation, or Amazon Fire. CTV is a fast growing format that has been accelerated by the consumer shift to streaming. In Q1 2022, PubMatic's revenue in CTV inclusive of over the top (OTT) grew by 5x year-over-year. In Q2, PubMatic saw a 150% year-over-year increase in their CTV business. According to statistics site Statista, CTV advertising spend is expected to hit $22 billion in 2022 and grow to over $38 billion by 2026. As good as CTV has been to PubMatic, and as promising as its future looks, PubMatic's management believes the bigger market opportunity remains with programmatic online video ad spend, which they state is three to four times that of CTV and OTT.

Advertising spending related to digital video increased 49% in 2021 and is expected to increase additional 26% in 2022. Some estimates put U.S. programmatic video advertising spending at nearly $75 billion in 2023. During the Q2 2022 earnings call, PubMatic's management touched on Netflix development of an advertising supported subscription tier. Netflix has chosen Microsoft as its partner to develop its ad-supported subscription. PubMatic's management describes the company's relationship with Microsoft as very positive. This relationship could allow PubMatic to be a part of and benefit from the new ad-supported Netflix. In addition, Disney+, the streaming service operated by Disney also plans to roll out an ad-supported tier for its service. Streaming, which was once closed off to advertising, is now opening up, and creating opportunities for companies like PubMatic.

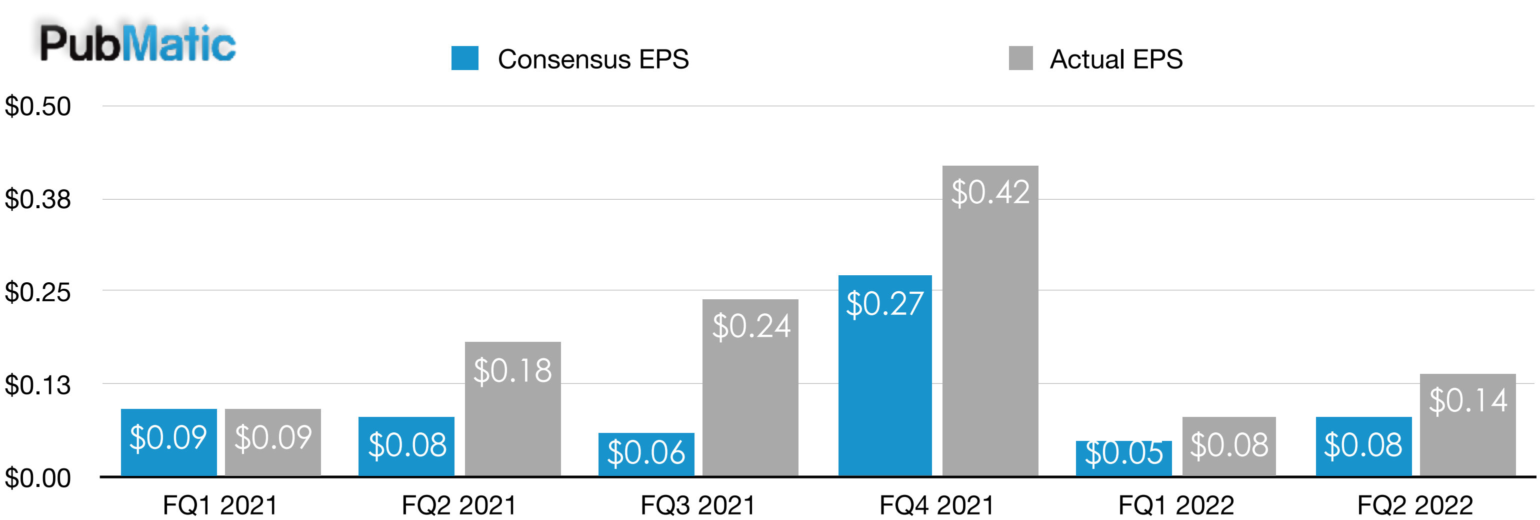
Efficient Company Meets Great Opportunities

Investors can lose big by investing in companies that are in the path of great opportunities, but aren't efficient enough as a company to use those opportunities to increase shareholder value. In the case of PubMatic, the company is profitable and generates positive free cash flow. It's earning 22% on its equity and over 7% on its assets. PubMatic's return on invested capital is almost 5x greater than its weighted average cost of capital. PubMatic has chosen to own its own hardware where it runs its software, as compared to its competitors who run their software from a third party cloud provider. While this decision requires a big investment into the business up front, it has helped PubMatic reduce its cost of revenue per million impressions processed by approximately 50%, and should continue to pay off for the company in the long-term.

What We're Getting

With PubMatic we have a profitable founder led growth company. The company ended Q2 2022 with $183 million in cash and cash equivalent, and zero long-term debt. Net dollar retention for PubMatic in Q2 2022 was 130%, which shows that PubMatic is retaining customers and convincing those retained customers to spend more on PubMatic services.

A slow down in advertising spending, along with concern of a possible recession, high inflation, and rising interest rates has fueled a sell off of stocks in good companies as well as struggling companies. Buying good companies when the time doesn't appear to be ideal, or when the future looks bleak has proven profitable for smarter investors than us. We think PubMatic's ability to grow revenue at over 20% per year, generate profits and positive free cash flow, and keep net dollar retention above 120% gives it the potential to be a nice winner on the other side of this economic slowdown.



Source: E-Trade

What are The Investment Risk

Risks / Headwinds

Inflation, rising interest rates, and the war in Europe have all played their part in the falling markets. The markets have been particularly harsh to growth companies within tech. Even though PubMatic is a profitable growth company that produces positive free cash flow, that hasn't spared the company from the same fate as those companies in tech that are not posting profits or producing positive free cash flow. We don't know how long this economic slowdown will last, but while it persists, investors will be more likely to stay in cash and less likely to purchase risky assets, which means it could be some time before money starts flowing back into the stock market and into PubMatic's stock specifically.

The same mind set that investors have about staying in cash applies to businesses as well. Budgets for advertising have been cut by companies in order to preserve cash. The cut to advertising budgets is a result of consumers spending less. Consumers are spending less because they are uncertain about the future of the economy.. Though the U.S. Federal Reserve is doing their best to lower inflation, and the Biden Administration is doing its best to keep gas prices reasonable, the current economic environment is still cloudy. There's also the war in Europe, which could lead to further softening of European consumer demand, according to PubMatic's management. Until consumers show that they are ready to spend, companies won't ramp up advertising, and a PubMatic investment won't be successful in the short term. No one can say for sure when this economic slowdown will pass, or when the war in Europe will come to an end, therefore investing in PubMatic while these issues persist could result in losses if the economic slow down in the U.S. continues for several more quarters and the war in Europe continues to suppress demand.
company's ability to attract new clients and retain old clients.

The online ad market is in decline and it's dragging down tech giants with it

Updated 10:04 AM ET, Fri July 29, 2022

CNN BUSINESS

Competition

Also, there is no guarantee that PubMatic's performance in the future will emulate what the company has done in the past. There is a fair amount of competition within PubMatic's industry. The Trade Desk ($TTD), Magnite ($MGNI), Criteo ($CRTO), Adobe ($ADBE), Oracle ($ORCL), AppLovin ($APP), Taboola.com ($TBLA), and Smarty Ads are just a few of the companies that could easily take market share away from PubMatic. Improvado.io, a company that aggregates data for marketers, named PubMatic one of its top 12 programmatic advertising platforms. Improved.io ranked PubMatic as a top three sell side provider, and also ranked PubMatic top three advertising exchange (), any failure on the part of PubMatic's management could see the company lose its position as a top programmatic advertising platform, which could impact the company's ability to attract new clients and retain old clients.

Ownership Dilution

Investors considering an investment in PubMatic should be prepared to have their position diluted. Unlike some tech companies that have frozen hiring in 2022, PubMatic grew its headcount. To attract talented developers PubMatic offers stock based compensation. This isn't unusual for technology based companies, but it's something that investors should be aware of.

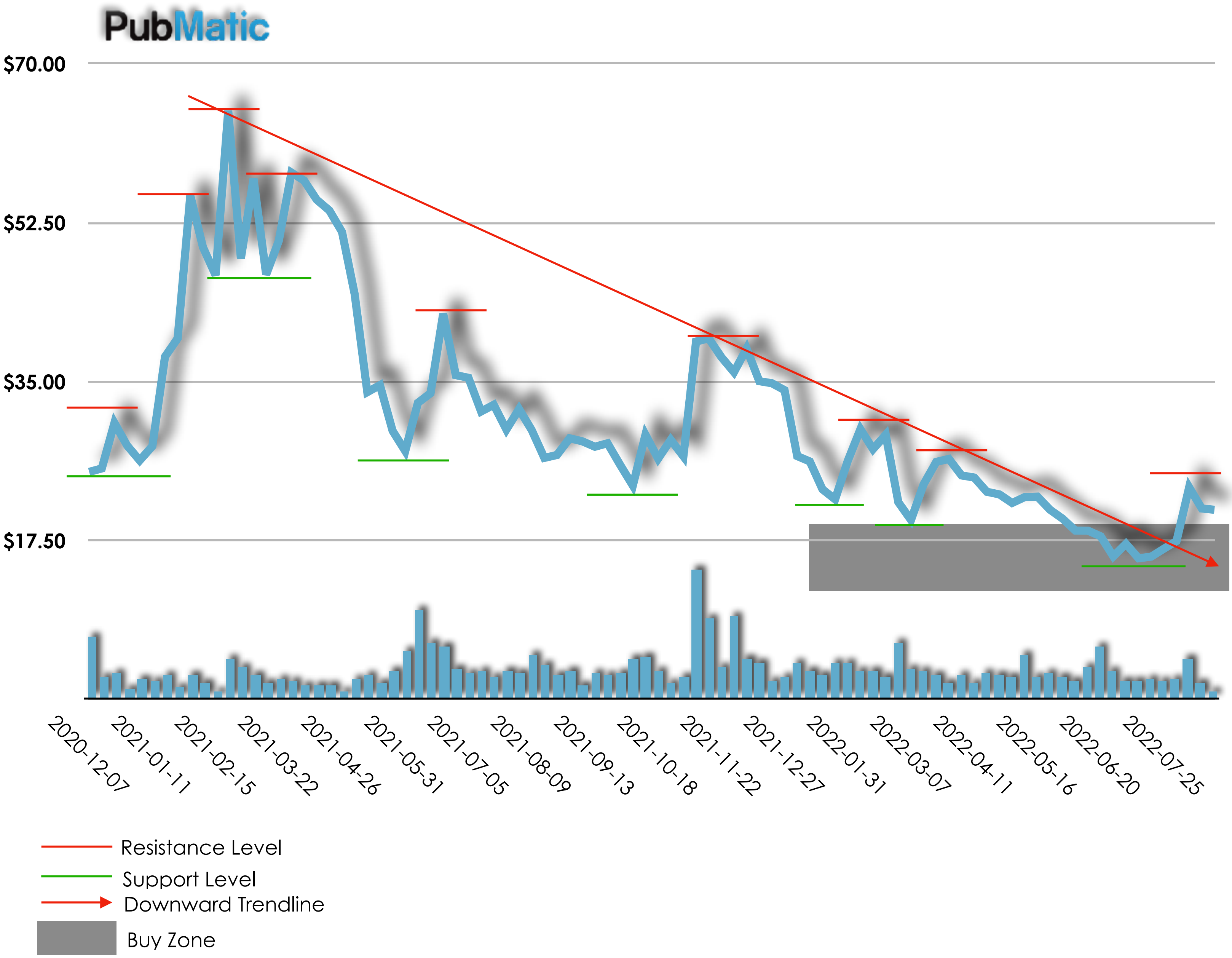
PubMatic Peer Review

Income Statement	PubMatic	The Trade Desk	AppLovin	Magnite		
Revenue (ttm)	$250M	$1.39B	$2.92B	$549M		
EBITDA	$75.6M	$80.9M	$566M	$108M		
Net Income (ttm)	$54.3M	$33.7M	-$108	-$93.4M		
Diluted E.P.S. (ttm)	$0.92	$0.07	-$0.20	-$0.24		
Balance Sheet	**PubMatic**	**The Trade Desk**	**AppLovin**	**Magnite**		
Total Assets	$550M	$3.57B	$6.16B	$2.71B		
Total Liabilities	$293M	$2.05B	$4.02B	$1.83B		
Cash Flow Statement	**PubMatic**	**The Trade Desk**	**AppLovin**	**Magnite**		
Operating Cash Flow (ttm)	$94.7M	$531M	$284M	$163M		
Levered Free Cash Flow (tm)	$45.1M	$492M	$365M	$188M		
Margins	**PubMatic**	**The Trade Desk**	**AppLovin**	**Magnite**	**S&P 500 Industry**	**S&P 500 Sector**
Profit Margin	21.64%	2.43%	-3.61%	-17.01%	18.16%	18.92%
Operating Margin (ttm)	22.45%	2.86%	1.69%	-13.32%	23.93%	24.15%
Return on Assets (ttm)	7.39%	0.77%	0.59%	-1.77%	7.72%	9.65%
Return on Equity (ttm)	22.37%	2.26%	-5.41%	-10.93%	521.06%	155.05%
Valuation	**PubMatic**	**The Trade Desk**	**AppLovin**	**Magnite**	**S&P 500 Industry**	**S&P 500 Sector**
Price-to-Foward Earnings	26.95x	94.34x	14.62x	10.42x	36.42x	23.62x
Price-to-Forward Sales	3.0x	17.51x	2.41x	1.97x	9.41x	5.8x
Price-to-Book (mrq)	3.58x	17.15x	5.0x	1.28x	93.05x	29.52x
Price-to-Cash Flow (ttm)	8.82x	52.43x	25.26x	6.14x	31.53x	26.83x

PubMatic's profit margin and operating margin top the peers listed. While profit margin tops the averages, operating margin is close to the average of the S&P 500 companies within the technology sector and software industry. PubMatic's Return on equity is also closer to the sector and industry average than the peers listed, when the sector and industry averages are adjusted.

When ROE for Oracle (7301.09%) is removed, the average ROE for the sector and industry is 46.77%, and 36.03% respectively.

PubMatic Buy Zone $13.00 - $18.00



Our ideal buy price for PubMatic is between $13.00 and $18.00 per share. The company currently trades above $18.00, and we aren't against buying the stock at the current price. The market rally that started on June 17, 2022 has begun to lose steam, and stock prices are in decline again. We believe PubMatic's stock price will pull back to the downward trend line, and into our ideal buy zone. On the downside, we don't consider $13.00 a hard floor or a point that would trigger a sale of the investment. $13.00 serves as a point where would re-evaluate the company and the analysis.

What is Wall Street Saying

Organization	Rating	Price Target	Date
RBC Capital	Buy	$31.00	8/12/2022
Evercore ISI	Buy	$23.00	8/9/2022
Lake Street	Buy	$24.00	8/9/2022
Raymond James	Buy	$25.00	8/9/2022
JPM Securities	Buy	$34.00	8/9/2022

Summary

Top Reasons to Invest in PubMatic

1. Revenue growth above 20% per annum.
2. Opportunities with connected TV and programmatic online video advertising.
3. A growth company that's profitable and generating positive free cash flow.

Top Reasons to Avoid PubMatic

1. The current economic slowdown could persist for some time, which would keep investors the money needed to move stocks upwards on the sidelines.
2. The current economic slowdown will continue to impact the amount of money companies put towards marketing. Less advertising and marketing dollars being spent make it more difficult for PubMatic to grow.
3. Stock-based compensation will dilute ownership. Unfortunately this is the price investors have to pay for the profitable growth that PubMatic provides.

I did not intend to get rich.
I just wanted to get
independent.
- Charlie Munger

Is Indexed Universal Life Insurance An Infinite Bank?

The Concept of an Infinite Bank

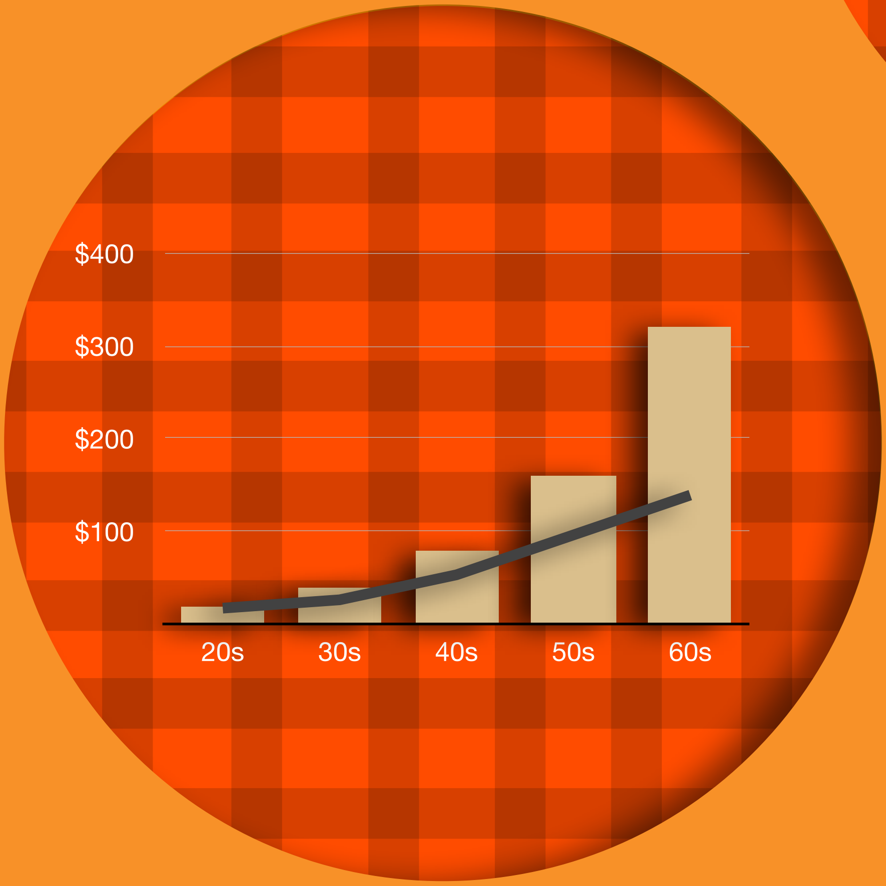
Imagine if you could, the ability to leverage one of the financial accounts you have, in such a way, that the account allows you to make withdrawals from it, but the amount withdrawn technically never leaves your account. Because the amount withdrawn hasn't technically left the account, you are still able to gain interest on the withdrawn amount. It gets even better. The withdrawals or loans against the account would carry an interest rate that is lower than the interest rate the financial institution pays you on your money. It's like you have access to an infinite amount of money. This concept is called infinite banking, and it does exist with whole life insurance policies. However, over the past year, there has been noticeable growth in Indexed Universal Life Insurance policies or IULs. Insurance agents who specialize in setting up IUL policies have used the infinite banking concept as a selling point to push the insurance plan.

Can IULs Be An Infinite Bank in Retirement?

Indexed Universal Life Insurance can become an infinite bank, but from inception to full fledged cash flow machine, it's not as straightforward as the people selling insurance on YouTube and recommending it on TikTok make it seem.

First and foremost, IULs are a fairly complicated financial instrument, and from the horror stories that I've come across, the complexities of the policy are often painted over with the potential of big profits and access to lots of cash later in life. However, when they do work out as planned, an IUL can provide access to tax-free cash that can be used to live off of or make other investments.

Let's take a look at the Indexed Universal Life Insurance policy, and dig into parts of the policy that can be problematic if the purchaser isn't aware


$400
$300
$200
$100
20s
30s
40s
50s
60s

What is Indexed Universal Life Insurance?

IULs are life insurance policies that provide their policyholders an annual renewable term life insurance benefit and a cash account. The cash account is marked to a stock market index, but not invested in the index. The index of the cash account could be the S&P 500 or a foreign stock market index, or a commodities index like Gold. The interest received on the cash account is determined by the performance of the stock market index.

One of the big appeals of an IUL is that they allow their policyholders to benefit from a rise in the stock market, while also protecting the cash in the account when the market declines. For example, if the S&P 500 increases by 12% in 2022, an IUL that is indexed to the S&P 500 has the potential of earning 12% on the cash in the IUL, but if the S&P 500 decreases by 20% in 2022, an IUL that is indexed to the S&P 500 has the potential to lose none of its cash value. You may have noticed that I used the word “potential” in the scenarios just given, that was intentional. Many IULs come with caps and floors, which caps how much interest is earned on the cash account and limits the amount of money lost if the market declines. Later, I’ll go into more detail on caps and floors associated with IULs.

Why an IUL Becoming an Infinite Bank is More Difficult Than it Seems

Funding an IUL for 15 to 20 years, and then riding off into the sunset with a fist full of money may be the plan when people set out to get an IUL policy, but without full understanding of how IULs work, policyholders can find themselves in a situation where they are paying more in premiums than they initially expected, and losing value in their cash account when they didn’t expect to.

While the Indexed Universal Life Insurance policy is far too vast to cover every single detail within it, I’ve expanded on a few features of the policy that potential IUL policyholders should consider and understand thoroughly before committing to a IUL.

Market / Index Performance.

The index that an IUL uses as its benchmark will have a tremendous impact on the growth of the cash within the IUL. Over a 20 years span, on average the S&P 500 has returned 8.9% a year, the NASDAQ has returned 11.46%, and Gold has returned 11.22%. Some IUL providers create their own index to use as a benchmark. Usually, anything related to investments will boast the annual returns of an index or market, we do it ourselves, but I'll explain why earning 8.9% year-over-year on the cash in the IUL isn't as straightforward as it seems.

Cap and Floor Associated with Market Gains

One of the selling points of the IUL is that policyholders get to participate in the good times of the market when markets are going up, and the policy protects the cash value within the policy when markets are going down. That is in part to the cap and floor associated with IUL policies. The cap, caps how much interest is paid out on the cash within the IUL. If an IUL has a 12% cap and uses the S&P 500 as its benchmark, if the S&P 500 increases by 30% during the year, the interest payment on the cash will be 12%, the cap. The floor protects the downside of the cash account. If the S&P 500 declines 38%, like it did in 2008, an IUL with a floor of 0%, would pay no interest on the cash in the account.

How Fees Eat Away at Cash Value During Down Years in the Market

There are several fees that come along with IULs, and these fees are one of the reasons IULs have caused people like Dave Ramsey to speak out against them. There is a participation rate fee, a premium charge, a fee for the cost of the insurance, a fee for issuing the policy, commissions to the broker who sold the policy, as well as additional charges associated with the policy and maintenance of the policy.

In years when the index that the IUL is linked to doesn't perform well or loses value, the fees associated with the IUL are still being applied. In some cases, where the IUL's floor is 0%, the cash in the IUL will not receive an interest payment, and that money could be used to pay fees associated with the IUL policy. The ideal scenario for IULs is that as they are started and funded, the markets rise substantially, allowing for a hefty interest payment on the cash, and the growth in cash will allow the fees to be comfortably absorbed.

If the stock market and the index used for the IUL policy has a few bad years in row, that would mean no growth for the cash within the policy for several years, and a possible loss of cash value from the policy's fees. But what could really hurt IUL policyholders is that when the market bounces back after several years of losses, the cap may prevent the IUL holder from recouping losses incurred during the down years. For example, in 2008, the year of The Great Recession, the S&P 500 declined 38%. The following year, the S&P 500's value increased by 23%. Though the floor on the IUL would have protected the policy from a big loss, the cap would've prevented a big gain from the market's recovery.

Though IULs are sold as an investment vehicle that allows its purchasers to enjoy the highs of the market, while being protected from the lows, the people who sell these policies don't reveal that no matter the outcome of the market the fees associated with the policy still apply, and that those fees can eat away at the cash value.

Cap Adjustments and Participation Rate Adjustments

We've discussed what the cap is in an IUL policy. It's the terms of the policy that caps the amount of interest the policy pays out on the cash within the policy. If an IUL has a 12% cap, and the index it uses as its benchmark increases by 18% on the year, the IUL policy will only payout 12% of interest. Some IULs are sold with a non-adjustable cap, which means if the policy is purchased with a 12% cap, it will forever have a 12% cap. However, the participation rate associated with the policies can be adjusted.

The participation rate of an IUL dictates how much interest the policy is entitled to. An IUL that tracks a Gold index, and has a 10% cap and a participation rate of 100%, allows the policy to receive 100% of the interest received. If the Gold index increases by 10% or more in a year, the IUL is obligated to pay 100% of the interest, or the full 10%. However, if the participation is adjusted, let's say to 80%, then the IUL policyholder is allowed to collect 80% of the 10% interest.

Why Participation Rates Move

To understand this is to understand what insurance companies are at their core. Every insurance company at their core is an investment company. Insurance companies use their customer's premiums to invest and trade the markets. From auto insurance to life insurance, they are all investment companies underneath the hood.

In order for insurance companies to uphold the promises they've made for IUL policies, they invest in options. To keep it simple, the cost of an option increases when markets are volatile and decreases when markets are stable. Paying more to execute the business strategy impacts business expenses, and decreasing the participation rate of a policy allows the insurance company to keep more money on hand to maintain the business.

Potential to be an Infinite Banks
But There is no Guarantee

My look into Indexed Universal Life insurance policies revealed that they do have the potential to be everything their promoters claim. They can become an infinite bank, they can provide retirees with access to tax-free cash without an impact on social-security benefits, they do have a great deal of flexibility, allowing policyholders to choose how much premium they want to pay and when they want to pay it, and IULs do have a potential for big gains. But, like many investment vehicles, IULs aren't for everyone. The fees along with the stock market component make IULs more suitable for some than others.

There is an element of luck or chance associated with most investments, and from my review of IULs, that element isn't properly explained. They're sold to prospects as if the index they choose will always go up every year, and that if they pay a fixed monthly premium, they will have hundreds of thousands of dollars of cash in their IUL in 15 years. The reality of it is, that markets don't go straight up, and there will be times when the market or the index has no growth. These bad times can have a big impact on the cash with the IUL depending on how long the IUL has been in force. For someone that just started an IUL, that hasn't built up a significant stash of cash, down markets could force them to pay more in premiums than they initially thought. Policies that have been in force for several years or that have a sizable cash account are better suited to deal with volatile markets, as the cash within the policy can be used to offset the cost of fees as well as pay the policy's premium.

There is potential for an Indexed Universal Life insurance policy to be an infinite bank for its policyholder, but there are a number of issues that can come between the policyholder and their dreams of an infinite bank, like a lack of growth in the stock market and policy fees.

For anyone interested in or considering an Indexed Universal Life insurance policy here are a few tips I've gathered from my research.

1. **Consult with a certified accountant:** If you have access to an accountant, seek their opinion before purchasing an IUL.
2. **Secure a policy with a low death benefit:** Most of the fees and commissions associated with IULs are attached to the death benefit. By having a smaller death benefit, the insurance agent receives less commissions, and more of the premium dollars go towards the cash account.
3. **Ask the broker what the worst case scenario looks like and ask them to visualize it:** This is going to kill two birds with one stone. There are brokers selling IULs that have a full understanding of how they work from top to bottom, but there are some that are selling IULs based on the marketing materials created by their firms. The marketing material provides the highlights of the policy if everything goes as planned. If a broker can explain, and visualize, what would happen if the index attached to your policy doesn't grow over the next three years, and what that would look like for you in terms of premiums and fees, then you have a broker that knows what they're talking about, and you have an ideal of what the worse case scenario looks like for you.
4. **Point 3 continued:** Some of the marketing material I've viewed about IULs gives off the impression that if a policyholder pays their premium over the first five years, and the market goes up, the next five years will be easier due to the accumulated cash. There are IULs that after year ten, some of the fees associated with the policy decrease or disappear. Knowing that few things in life go as planned, looking at an IUL from the standpoint of things not playing out perfectly in the first five years may provide a better idea if an IUL is for you.

Why Gas Prices are So High

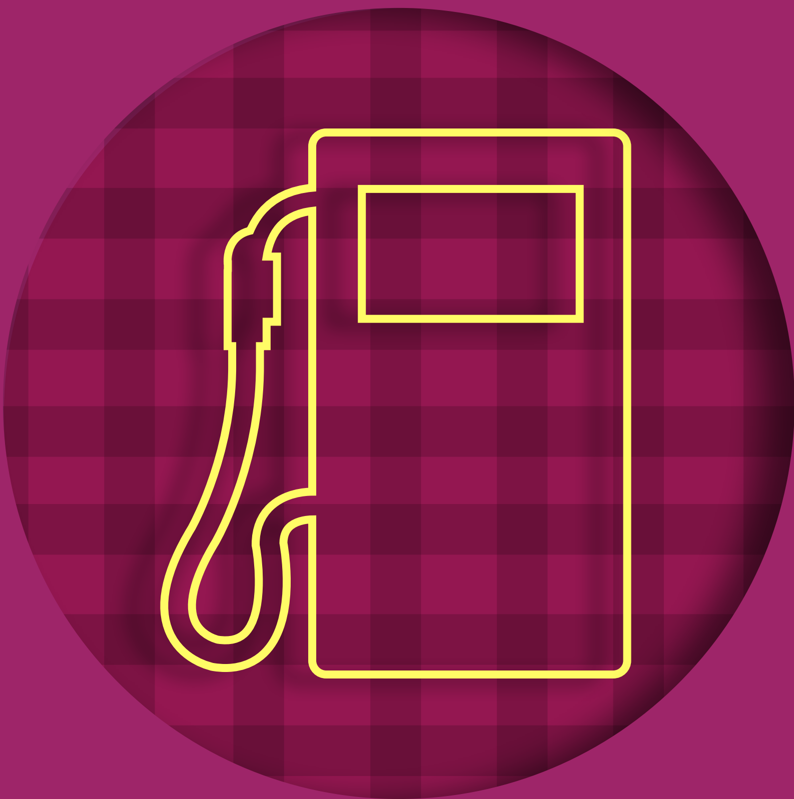
If you had a business that produced a product that the entire world needed, but the product's life cycle was coming to an end, what would you do?

You could continue to operate as you have in the past until your final days, and the time comes when the product is no longer needed. You could close up shop now and ride off into the sunset with all the money you've made with your product; or you could scale production down, keep supply at or below demand and pull forward years of profits. If you've been wondering why gas prices have been so high, it's because of the third option. Oil companies have chosen to limit supply, which has caused higher than normal prices at the gas pump.

While many have blamed the current president and the war in Europe for the high price of gas, both have little to do with the gas price increase in the U.S. To get a better understanding of why gas prices are where they are, we'll take a look into the reasons behind big oil's motives to keep prices high, we'll also look at how a lack of investment has contributed to the high oil prices, and we'll discuss where oil companies are putting their new found profits.

The Future

Gasoline isn't disappearing anytime soon, but its future isn't as bright as it once was. For people over 30 years old, their first car was likely a gas powered car. The first car of their parents was likely a gas powered car, and their grandparent's first car was likely a gas powered car. For almost 100 years, gas companies could look forward to a new generation of drivers and gas consumers, but it wasn't always that way. In the early 1900s, steam powered vehicles accounted for the majority of cars produced in the U.S., gas powered cars only accounted for a quarter of the vehicles produced during that time, and there were even electric vehicles during those days. But by the 1920s, internal-combustion became the standard, making oil the commodity most needed for movement.



GAS PRICES	
REGULAR	$ARM
PLUS	$LEG
PREMIUM	$ORGAN

Today, it's quite different for oil companies. The baby born today won't be a gas consumer in 16 to 20 years, they'll likely own an electric vehicle, and the baby of today's baby will surely own an electric car for their first vehicle. In addition to the younger generation already being locked into an electric vehicle, drivers of gas powered vehicles are ready to make the switch. In an Ernst & Young survey of 13,000 people across 18 countries, 52% of potential vehicle buyers stated their next car would be an electric vehicle, up from 30% in 2020. So not only are oil companies losing their future, their present customers are ditching the gas brand as well.

Electric vehicles are no longer niche products. The legacy car companies have begun manufacturing electric vehicles, and in the U.S., the rebirth of the electric vehicles has created a resurgence of auto manufacturers like Rivian, Lucid, Lordstown Motors, Canoo, and Faraday Futures, who have all followed Tesla, the electric car company founded in 2003. Tesla, is the leading electric car company in the U.S. and owns 79% of the electric vehicle market in the U.S. Tesla has shown consumers and legacy automakers that an electric vehicle with all the bells and whistles of an ICE car can be made, can be made affordably.

The Government - Why isn't the President Doing More?

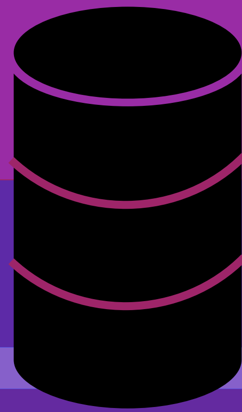
Despite what many think, U.S. Presidents rarely have an impact on gas prices. According to the AAA, in 2005, under President George W. Bush, gas prices jumped roughly 45 cents in six days. In May of 2007, national gas prices hit the highest they had been since 1981 with inflation adjusted, again while George W. Bush was president. In July of 2008, again under President George W. Bush, gas prices hit another high point, with the national average for gasoline touching $4.11. In 2005 it was Hurricane Katrina that impacted the oil supply. In 2007, gas prices rose on an expected increase in demand as Americans were set to hit the road going into the summer. And in 2008, tensions in the Middle East and the U.S. Dollar hitting an all-time low against the Euro was the catalyst for the rise in gas prices then. As a consumer, when you're paying $6.00 a gallon for gas, you definitely want someone to blame, but it's not Joe Biden's fault that gas prices have topped $6.00 a gallon in some states. Gas prices are a function of supply and demand, nothing more or less. Shocks or expected shocks to supply will move prices and shocks or expected shocks to demand will move prices, not the president.

The War In Europe

Along with the sitting President of the United States, the conflict in Europe has also been blamed for the high prices at the gas pump. Russia invaded Ukraine on February 24, 2022, and the national average price for a gallon of gas increased 19.6% from February to March. It's understandable why anyone would link the rise in gas prices to the war in Europe. But that coincidence was lost on Senator Katie Porter, who introduced legislation to curb predatory price hikes by oil companies. Senator Porter believes that big oil companies have used the war in Europe along with inflation as a smoke screen for price gouging.

Russia is a large exporter of oil, but the U.S. imports a small amount of Russian oil. A 2020 report from the Energy Information Administration revealed that the U.S. imports 540,000 barrels of oil per day from Russia, which is second to the 3.1 million barrels per day imported from Canada. However, since the invasion of Ukraine, the U.S. has banned imports of Russian oil, a move that removes over 500,000 barrels per day of oil from the U.S. supply. The ban by the U.S. was intended to cripple Russia and make it harder for the Russians to fund their war against Ukraine. The Russian economy relies heavily on its oil and natural gas revenues. In 2021, oil and natural gas accounted for 45% of the Russian federal budget. But even with the ban in place, the Centre for Research on Energy and Clean Air, a non-profit organization, believes that Russian oil is still finding its way to the U.S. by way of India, but the amount of Russian oil being received is unknown.

How a Barrel of Oil Breaks Downs



1 Barrel of oil is 42 Gallons and Yields 45 Gallons of Petroleum Products

20 Gallons: Gasoline

11 Gallons: Ultra-Low Sulfur Distillate

6 Gallons: Other Products

4 Gallons: Jet Fuel

2 Gallons: Hydrocarbon Gas Liquids

1 Gallon: Other Distillates (Heating)

1 Gallons: Heavy Fuel Oil (Residual)

Before the war in Europe, the U.S. didn't rely heavily on Russian oil, and even with a ban in place, Russian oil is still finding its way into the U.S. So if we weren't extremely reliant on Russian oil before the war, and the U.S. is still receiving Russian oil, why would gas prices rise as much as they have?

Investment and Shareholders Over Everything

Since the Obama administration, one of the complaints from the oil industry and their backers is that the government has prioritized and invested in green initiatives, giving green companies an advantage over companies in the oil and coal business. The Obama administration did loan over $500 million to solar panel company Solyndra, which ended up filing bankruptcy, and the administration also loaned Tesla $465 million. Under President Biden, the push towards greener energy production continues. The Build Back Better Act initiated by the Biden administration contained $292 billion worth of clean energy tax incentives. The $430 billion climate, health care, and tax bill that's currently awaiting a vote from the House of Representatives looks to bring back the tax credit for electric vehicles, but only for EVs whose battery materials are sourced in the U.S. There is no doubt about it, that under the last two democratic regimes, renewable energy and electric vehicles have been a priority and those industries have received billions of dollars of investment from the government, but similar subsidies were given to oil companies in the past.

In 1916 oil companies received permission to write off dry holes and intangible drilling costs. In 1926, the depletion allowance was put in place by congress, which allowed oil companies to deduct 27.5% of their gross revenues. The depletion allowance would be a point of contention for future presidents after it was put in place. The allowance was dropped to 23% in 1969 by congress. In 1974, President Gerald Ford created the Energy Research and Development Administration to conduct energy related R&D. $1.4 billion would be spent over the following five years by the Energy Research and Development Administration researching fossil fuels. In the 1970s, the oil industry received something better than a subsidy, they received a government alley-oop. In the late 70s, the Department of Energy assisted with the first successful fracking application to extract oil. Fracking was experimented with in the late 1940s, but went nowhere until the government's intervention in the '70s. In 1980, President Carter signed a $228 billion tax on oil companies, and in 1988 congress repealed the tax. While in office, Carter also granted a tax credit to oil companies to promote the development of coalbed methane and other unconventional fossil fuels. It's difficult to determine what any person or industry's "fair share" is, but I can say, throughout history the oil industry has received a sizable amount of assistance from the U.S. Government. But now, clean energy is the focus.

	ExxonMobil				
	Revenue	Capital Expenditures	Dividends	Capex/Revenue	Dividends/ Revenue
2012	$451,409	$34,271	$10,092	7.6%	2.2%
2013	$420,836	$33,669	$10,875	8.0%	2.6%
2014	$394,105	$32,952	$11,568	8.4%	2.9%
2015	$259,488	$26,490	$12,090	10.2%	4.7%
2016	$200,628	$16,163	$12,453	8.1%	6.2%
2017	$237,162	$15,402	$13,001	6.5%	5.5%
2018	$279,332	$19,574	$13,798	7.0%	4.9%
2019	$255,583	$24,361	$14,652	9.5%	5.7%
2020	$178,574	$17,282	$14,865	9.7%	8.3%
2021	$276,692	$12,076	$14,924	4.4%	5.4%

In Millions

Capital Expenditure: Money spent by a business or organization on acquiring or maintaining fixed assets, such as land, buildings, and equipment.

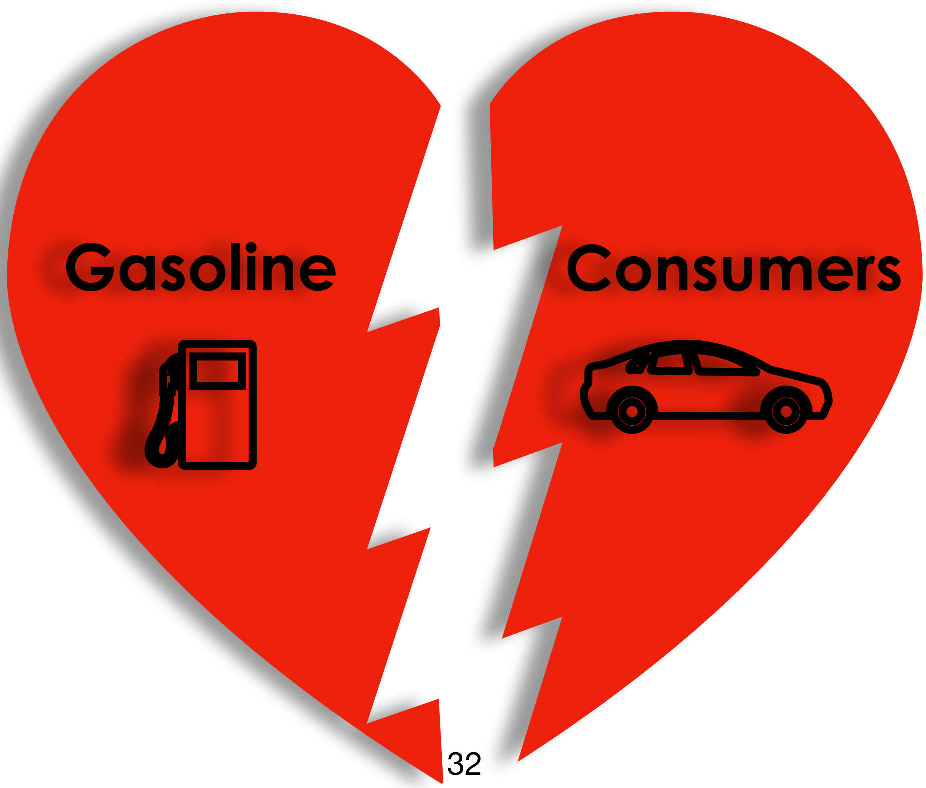
	Chevron				
	Revenue	Capital Expenditures	Dividends	Capex/Revenue	Dividends/ Revenue
2012	$241,909	$30,938	$6,844	12.8%	2.8%
2013	$228,848	$37,985	$7,474	16.6%	3.3%
2014	$211,970	$35,407	$7,928	16.7%	3.7%
2015	$138,477	$29,504	$7,992	21.3%	5.8%
2016	$114,472	$18,109	$8,032	15.8%	7.0%
2017	$141,722	$29,504	$8,132	20.8%	5.7%
2018	$166,339	$35,407	$8,502	21.3%	5.1%
2019	$146,516	$14,116	$8,959	9.6%	6.1%
2020	$94,692	$8,922	$9,651	9.4%	10.2%
2021	$162,465	$8,056	$10,179	5.0%	6.3%

In Millions

Without the government actively investing in the expansion of the oil industry, oil companies have decided to stop investing in themselves. In a speech given by Joe Biden, the President stated that U.S. oil companies have 9,000 permits to drill, with millions of acres of land leased to oil companies to drill for oil, but the oil companies have chosen not to drill. The lack of investment by oil companies can be seen in their annual reports. A decade ago, ExxonMobil spent 7.6% of their revenue on capital expenditures and Chevron spent 12.8% of their revenue on capital expenditures. In 2021, ExxonMobile's capital expenditure was 4.4% of revenue and Chevron's was 5% of revenue. Why invest in drilling if there is no future?

The gasoline we're currently using is coming from wells that were drilled years ago. If the current president had mandated oil companies to increase drilling on his first day in office, we still would be where we are with gas prices. It typically takes four years for oil companies to produce oil from leased federal lands according to the Government Accountability Office. Offshore drilling takes even longer, as it takes a few years just to build the offshore rigs.

So what are oil companies doing with their cash if they're not investing it in drilling? They're rewarding their shareholders. Between 2012 and 2021, dividends paid as a percentage of revenue has grown by 140% for ExxonMobil and 121% for Chevron. A lack of investment hasn't translated into a lack of cash for oil companies. Keeping supply low in relation to demand has been an extremely profitable strategy for oil companies. In Q2 2022, both Chevron and ExxonMobile reported record profits, with Chevron netting $11.6 billion during the quarter and ExxonMobile netting $17.9 billion, three times more profits than ExxonMobil made during the same quarter the year prior.



Why Are Gas Prices So High?

With future growth not as certain as it once was and no investment from the government, oil companies have chosen to manage their supply and return money to shareholders, which in turn has made gas prices high.

As I'm writing this gas prices have dropped, but consumers should consider this temporary relief and not how things will always be. What's occurring right now with gas prices is the scary side of capitalism. Oil prices are controlled by supply and demand, and oil companies can increase or decrease supply as they see fit. In June of 2022, the national average for gas reached $5.03 a gallon according to the EIA, and that happened during a relatively quiet hurricane season, and hopefully the season ends quietly. But what happens if/when a severe hurricane or tropical storm hits? What do gas prices look like then? Then there's the move to electric vehicles. Why increase drilling if the number of gas buyers are decreasing? And there is a problem there as well. Currently, the average electric vehicle costs $60,000, which puts EVs out of reach for many Americans. What will people who can't afford electric vehicles be forced to pay for gas in two or three years if oil companies continue to keep supplies low and not invest in drilling new wells?

Though we've mainly focused on gas prices, plastic, another byproduct of oil, has also come under fire for the harmful effects it has on the environment. Countries throughout the world are banning plastic bags and plastic straws in an effort to reduce the amount of plastic that ends up in oceans and landfills. Bottling companies are reducing the amount of plastic they use to create bottles for companies like Coke and Poland Springs. It's another situation where because we're trying to use less, oil companies have little incentive to prospect for new wells to pump oil.

It's a tough situation for the corporation and the consumer. For oil corporations, they're attempting to manage a product that the world still needs, but is actively moving away from. The consumers are stuck paying higher prices at the pump, so that oil companies can get as much money as they can before the consumer leaves for good. What this situation has become, is an awkward breakup between oil companies and consumers.


The Information

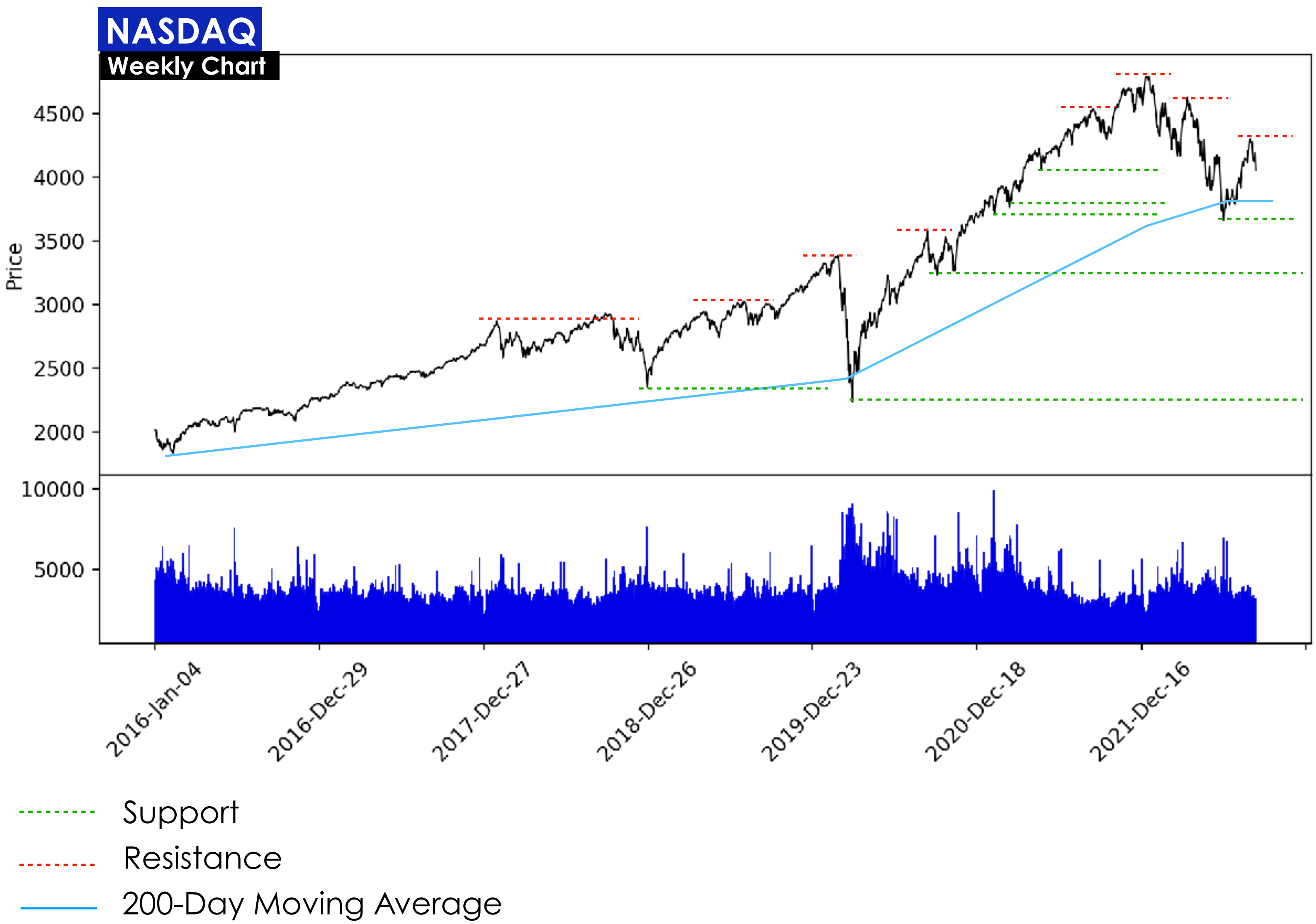
The Technicals

A Technical view of the NASDAQ Index

Back to the NASDAQ

Last quarter we reviewed a weekly chart of the NASDAQ. The reason for focusing on the NASDAQ was because the index had entered bear market territory while the last newsletter was being put together.

In our review of the NASDAQ, we noted an area of confluence, where several levels of support would intersect with the 200-day moving average on the weekly NASDAQ chart. Our thought was, if the NASDAQ was going to bounce, that's where it would happen, and it did. The NASDAQ touched its 200-day moving average on the week of 6/13/2022, and the index moved up 24%. The big money entered the market from a strong level of support - the 200-day moving average - and was able to rally the markets during the summer, but now, we're back where we were a quarter ago. The rally has ended and the NASDAQ is in decline again and heading back towards its 200-day moving average.



What Happens Now?

What happens next? It depends. The 200-day moving average is still in play as a level of support. The NASDAQ could trade down to the 200-day moving average and then fall below the moving average. The NASDAQ could bounce again off of the 200-day moving average for a short time and then reverse, or it could bounce and kick off another multi-year bull run in the markets. Ideally, we hope the next bounce off of the 200-day moving average kicks off another bull run. If we can't have that, then the market trading flat around the 200-day moving average would be the second outcome to hope for. What we hope doesn't happen is the NASDAQ has an extended stay below the 200-day moving average. The last time the NASDAQ was pulled below its 200-day moving average on the weekly chart was in 2009, during the Great Recession.

Don't Say Recession

Economists have said it, finance professors have said it, and financial professionals have said it, but the Biden administration won't say it. The administration will not admit publicly that the United States is in a recession.

Why not tell the country we're in a recession? Because recessions change spending habits, and the markets move by way of middle-class spending habits. Apple doesn't become a $2 trillion company by serving iPhones to the 1%, they succeed by making the 99% believe an iPhone is what they need. Companies also change their spending habits, by laying off workers, canceling investment plans, and trimming budgets all in an effort to save cash. Also, we can't forget the political aspect of it. The country going into a recession isn't good for re-election hopes. Still, the smart money has already begun to move like we're in a recession.

What to Keep an Eye On

We'll be keeping an eye on the NASDAQ and the 200-day moving average on the weekly chart. Traders aggressively bought the first touch of the 200-day moving average, but how aggressive will buyers be on the second touch of the moving average?

From the public, we'll be keeping an eye on holiday travel and shopping. Will people spend the money to see their families this Thanksgiving, or will they conserve money and stay home? Will we have a big Black Friday and Cyber Monday, or will the amounts spent on these days be less than they have been in the past? The middle class moves the markets. If the middle class isn't buying, then companies aren't hiring and investing to serve the middle class, and if companies aren't investing in themselves and their growth, investors aren't investing in stocks.

Reddit's Most Mentioned 25

The most mentioned symbols from 'wallstreetbets', 'investing', 'stocks', 'options', and the 'StockMarket' sub-reddits over the past 30 days.

Symbol	Company Name	Mentions
BBBY	Bed Bath & Beyond Inc.	886
SPY	SPDR S&P 500	421
GME	GameStop Corporation	271
AMD	Advanced Micro Devices, Inc.	267
BBIG	Vinco Ventures, Inc.	227
AAPL	Apple Inc.	222
VTI	Vanguard Total Stock Market ETF	187
TSLA	Tesla, Inc.	179
VOO	Vanguard S&P 500 ETF	171
AMC	AMC Entertainment Holdings, Inc	149
RC	Ready Capital Corproation	129
AMZN	Amazon.com, Inc.	120
GOOG	Alphabet Inc.	118
QQQ	Invesco QQQ Trust, Series 1	110
NVDA	NVIDIA Corporation	104
MSFT	Microsoft Corporation	103
CPI	IQ Real Return ETF	87
HKD	AMTD Digital Inc.	84
TQQQ	ProShares UltraPro QQQ	81
SCHD	Schwab US Dividend Equity ETF	64
ESG	FlexShares STOXX US ESG Select	58
INTC	Intel Corporation	48
COIN	Coinbase Global, Inc.	48
META	Meta Platforms, Inc.	43
BBBY	Bed Bath & Beyond Inc.	886

As of 8/28/2022

BBBY

Price	$10.70
Forward Price-to-Earnings	0.00x
Forward Price-to-Sales	0.16x
Price-to-Book	0.00x
Price-to-Cash Flow	-3.17x
Return on Equity	-195.47%
Return on Assets	-4.39%

SPY

Price	$405.31
Forward Price-to-Earnings	N/A
Forward Price-to-Sales	N/A
Price-to-Book (mrq)	N/A
Price-to-Cash Flow	N/A
Return on Equity	N/A
Return on Assets	N/A

GME

Price	$30.94
Forward Price-to-Earnings	0.00x
Forward Price-to-Sales	1.49x
Price-to-Book	6.49x
Price-to-Cash Flow	-13.36x
Return on Equity	-40.55%
Return on Assets	-9.21%

AMD

Price	$91.18
Forward Price-to-Earnings	21.46x
Forward Price-to-Sales	5.43x
Price-to-Book	2.67x
Price-to-Cash Flow	38.51x
Return on Equity	10.06%
Return on Assets	5.81%

BBIG

Price	$0.97
Forward Price-to-Earnings	-
Forward Price-to-Sales	-
Price-to-Book	-
Price-to-Cash Flow	-2.90x
Return on Equity	-
Return on Assets	-21.4%

MEME TRADE 2022?

GameStop ($GME) and Bed Bath and Beyond ($BBBY) continue to receive attention from Reddit traders and investors. Trading was halted on Vinco Ventures ($BBIG), on August 4, 2022 and didn't resume trading until August 16, 2022. Also, the company has failed to file its financial results for Q2 2022 with regulators.

Quarterly Economic Data

Symbols	Assets	8/25/2022	Vs Last Issue	Vs 6 Months	Vs 1 Year
GC=F	Gold	$1,757.70	-4.79%	-6.83%	-1.71%
SI=F	Silver	$19.11	-12.58%	-20.36%	-19.60%
PL=F	Platinum	$873.30	-6.44%	-16.74%	-12.04%
PA=F	Palladium	$2,138.30	7.53%	-9.42%	-11.96%
HG=F	Copper	$3.71	-13.25%	-17.03%	-13.00%
CL=F	Crude Oil	$92.52	-16.14%	1.02%	35.34%
EURUSD=X	EUR/USD	$1.00	-7.15%	-10.92%	-15.18%
GBPUSD=X	GBP/USD	$1.18	-5.99%	-11.82%	-14.09%
CNY=X	USD/CNY	$6.86	3.09%	8.40%	6.01%
CAD=X	USD/CAD	$1.30	1.15%	1.26%	2.97%
JPY=X	USD/JPY	$137.08	8.13%	18.61%	24.93%

Inflation	Feb. '22	April '22	July '22
U.S. Inflation Rate	7.50%	8.30%	8.5%
China Inflation Rate	5.10%	2.10%	2.7%
U.K. Inflation Rate	5.50%	9.00%	10.1%
Euro Area Inflation Rate	5.80%	7.40%	9.1%*

Growth	Dec. '21	Mar. '22	June '22
U.S. GDP Growth	6.90%	-1.40	-0.6%
China GDP Growth	1.60	1.30%	-2.6%
U.K. GDP Growth	1.10%	0.80%	-0.1%
Euro GDP Growth	0.30	0.30%	0.6%

* August 2022 | Euro Area Inflation

Quarterly Economic Data

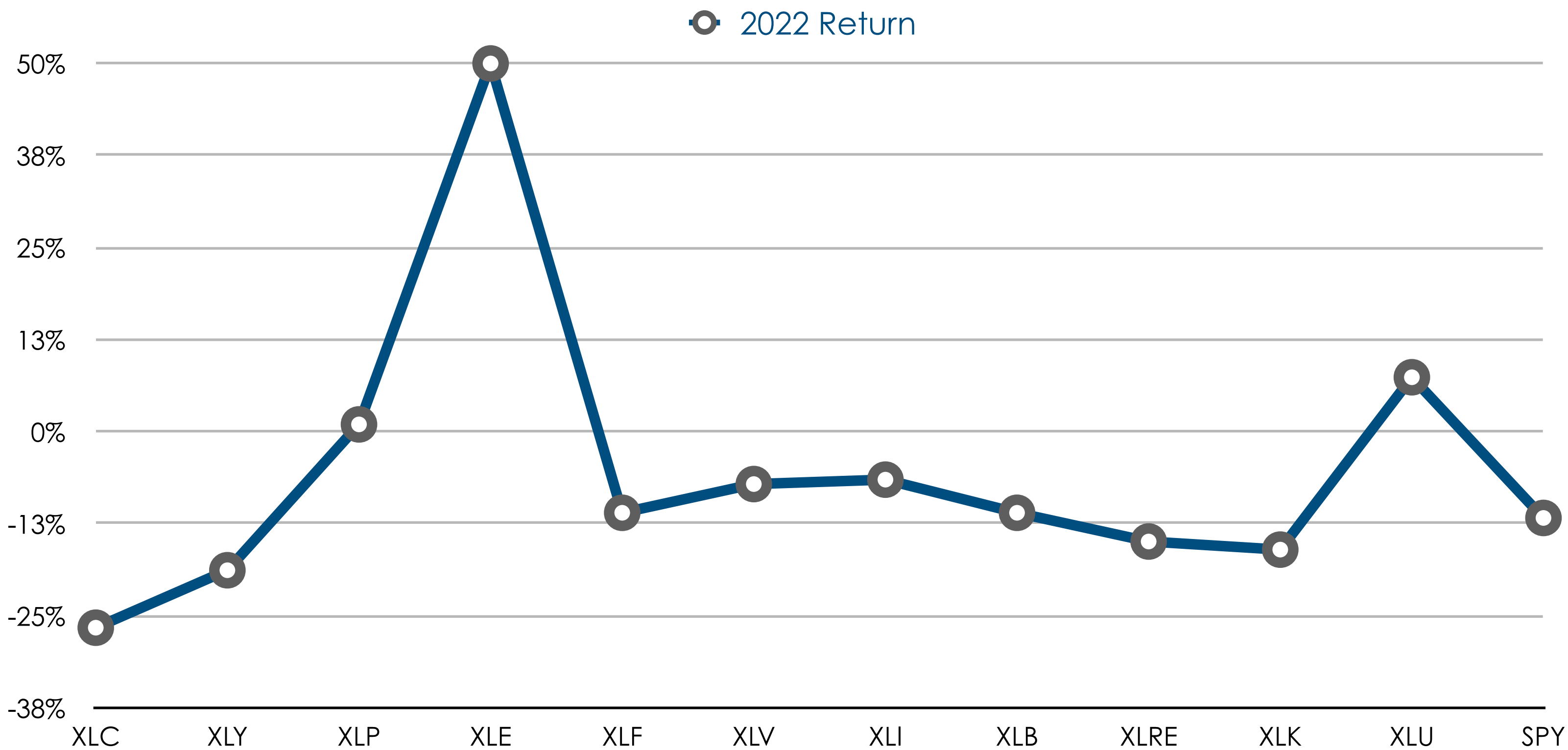
U.S. Housing	Jan. '22	April '22	July '22
Housing Starts	1.63M	1.72M	1.46M
Building Permits	1.89M	1.81M	1.68M

Debt	2/26/2022	5/23/2022	8/31/2022
U.S. Debt	$30.2T	$30.4T	$30.8T
China Debt	$10.4T	$10.6T	$10.7T
U.K. Debt	$3.5T	$3.32T	$3.37T
World Debt	$82.1T	$82.7T	$72.7T
U.S. Student Loan	$1.77T	$1.77T	$1.97T

Unemployment Rates	Feb. '22	April '22	July '22
U.S. Unemployment	3.80%	3.60%	3.5%
U.K. Unemployment	4.1%*	3.7%**	3.8%
Euro Area Unemployment	6.8%**	6.8%***	6.6%****
China Unemployment	5.1%	6.1%	5.5%

*December 2021 (U.K. & China Unemployment)
** January 2022 (Euro Area Unemployment)
*** March 2022(Euro Area & UK Unemployment)
**** June 2022(Euro Area & UK Unemployment)

Sector ETF



ETF	Sector Tracked	Price	2022 Returns as of 8/25/22	Year-Over-Year Change
XLC	Communication Services	$56.98	-26.6%	-32.3%
XLY	Consumer Discretionary	$166.00	-18.8%	-8.7%
XLP	Consumer Staples	$76.34	-1.0%	6.2%
XLE	Energy	$83.82	51.0%	71.9%
XLF	Financials	$34.76	-11.0%	-10.1%
XLV	Health Care	$130.94	-7.1%	-3.2%
XLI	Industrials	$98.95	-6.5%	-5.5%
XLB	Materials	$80.64	-11.0%	-5.6%
XLRE	Real Estate	$44.10	-14.9%	-5.0%
XLK	Technology	$146.12	-16.0%	-7.2%
XLU	Utilities	$76.89	7.4%	11.9%
SPY	S&P 500	$419.51	-11.7%	-6.5%

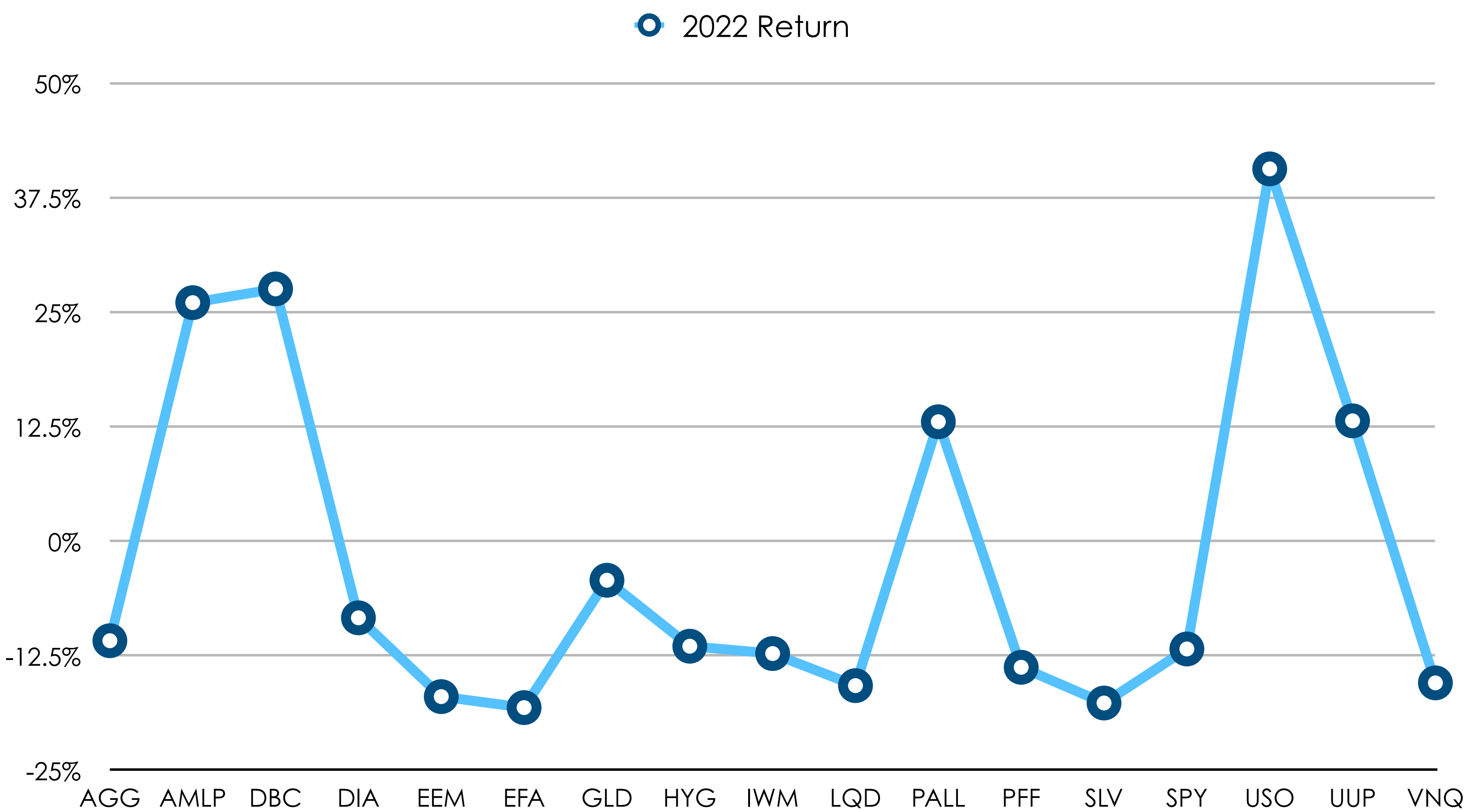
As of 8/25/2022

ETF BY ASSET TRACKED

Symbol	Asset Tracked	Price	2022 Returns as of 8/25/22	Year-Over-Year Return
AGG	Intermediate Term Bonds	$101.80	-10.8%	-12.1%
AMLP	Energy (MLPs)	$41.29	26.1%	26.6%
DBC	Commodities	$26.52	27.6%	38.8%
DIA	U.S. Large Cap Stocks	$333.15	-8.3%	-5.9%
EEM	Emerging Markets	$40.61	-16.9%	-21.1%
EFA	Developed Markets (minus U.S. & Canada)	$64.40	-18.1%	-19.9%
GLD	Gold	$163.75	-4.2%	-2.2%
HYG	High Yield Bonds	$77.08	-11.4%	-12.2%
IWM	Small Caps	$195.40	-12.2%	-12.2%
LQD	Corporate Bonds	$111.78	-15.7%	-17.0%
PALL	Palladium	$199.33	13.1%	-11.9%
PFF	Preferred Stocks	$34.03	-13.7%	-13.4%
SLV	Silver	$17.73	-17.6%	-19.7%
SPY	S&P 500	$419.51	-11.7%	-6.5%
USO	U.S. Oil	$76.50	40.7%	60.0%
UUP	US Dollar	$29.02	13.2%	16.4%
VNQ	Real Estate Investment Trust (REITs)	$98.09	-15.4%	-7.3%

As of 8/25/2022

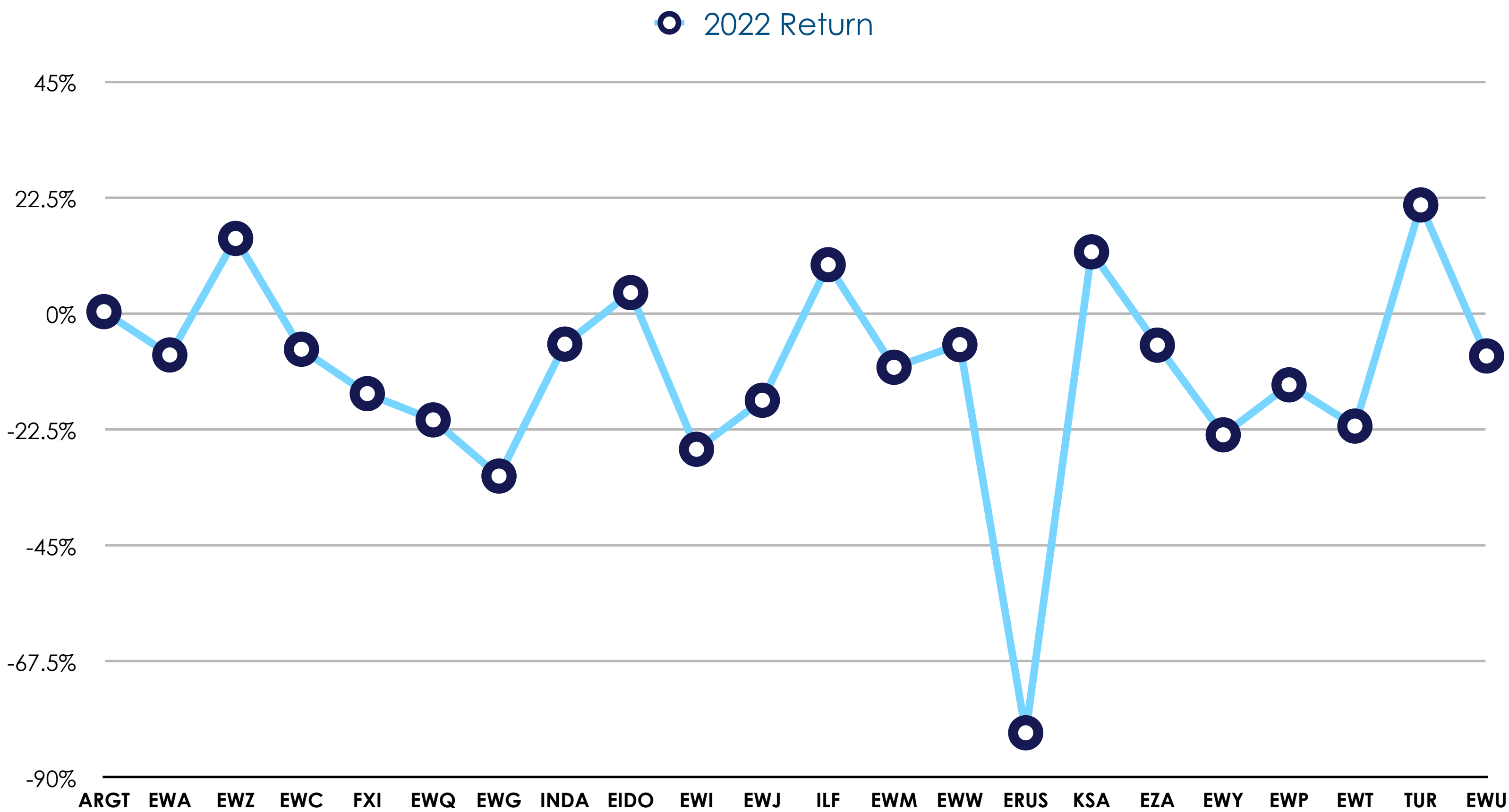
ETF BY ASSET TRACKED



ETF BY COUNTRY/REGION TRACKED

Symbol	ETF	Country Tracked	Price	2022 Returns as of 8/25/22	Year-Over-Year Change
ARGT	Global X MSCI Argentina ETF	**Argentina**	$31.40	0.5%	-11.8%
EWA	iShare MSCI Australia ETF	**Australia**	$22.87	-7.9%	-11.6%
EWZ	iShare MSCI Brazil ETF	**Brazil**	$32.21	14.7%	-12.6%
EWC	iShares MSCI Canada ETF	**Canada**	$35.82	-6.8%	-4.6%
FXI	'iShares China Large-Cap ETF	**China**	$30.96	-15.4%	-23.5%
EWQ	iShares MSCI France ETF	**France**	$30.92	-20.5%	-19.4%
EWG	iShare MSCI Germany ETF'	**Germany**	$22.50	-31.4%	-35.5%
INDA	iShares MSCI India ETF	**India**	$43.16	-5.8%	-7.5%
EIDO	iShares MSCI Indonesia ETF	**Indonesia**	$23.93	4.2%	14.5%
EWI	iShares MSCI Italy ETF	**Italy**	$24.20	-26.2%	-26.5%
EWJ	iShares MSCI Japan ETF	**Japan**	$55.80	-16.7%	-18.0%
ILF	iShares Latin America 40 ETF	**Latin America**	$25.72	9.6%	-13.1%
EWM	iShare MSCI Malaysia ETF	**Malaysia**	$22.45	-10.3%	-12.6%
EWW	iShares MSCI Mexico ETF	**Mexico**	$47.63	-5.9%	-3.9%
ERUS	iShare MSCI Russia ETF	**Russia**	$8.06	-81.2%	-81.9%
KSA	iShares MSCI Saudi Arabia ETF	**Saudi Arabia**	$45.84	12.1%	12.6%
EZA	iShare MSCI South Africa ETF	**South Africa**	$43.62	-6.0%	-7.1%
EWY	iShares MSCI South Korea ETF	**South Korea**	$59.62	-23.4%	-30.3%
EWP	iShare MSCI Spain ETF	**Spain**	$22.66	-13.7%	-20.2%
EWT	iShares MSCI Taiwan ETF	**Taiwan**	$52.13	-21.7%	-17.4%
TUR	iShare MSCI Turkey ETF	**Turkey**	$22.51	21.2%	-3.9%
EWU	iShare MSCI United Kingdom ETF	**U.K.**	$30.44	-8.1%	-8.1%

ETF BY COUNTRY/REGION TRACKED



Attention: iShares MSCI Russia ETF ($ERUS)

The Board of Directors of iShares, Inc. has approved the liquidation of the Fund. An initial liquidation distribution is currently scheduled to be sent to shareholders on or around August 17, 2022. For more information, please refer to the prospectus.

Additional information: Effective June 1, 2022, MSCI has terminated the Fund's underlying index. Effective 4 AM Eastern Time on March 4, 2022, NYSE Arca, Inc. announced a trading halt of the Fund. Since trading is halted, the Fund no longer has a daily closing price and a premium/discount to NAV cannot be calculated. Effective March 1, 2022, the Fund has temporarily suspended new creations of its shares until further notice.

Find out more at: https://www.ishares.com/us/products/239677/ishares-msci-russia-capped-etf

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Communication Services	Consumer Staples
Average Price	$92.60	$116.12
Average Trailing P/E	23.52x	28.15x
Average Forward P/E	29.53x	22.52x
Average Price/Sales (ttm)	2.62x	3.05x
Average Forward Price/Sales	2.15x	2.71x
Average Price/Book (mrq)	4.27x	22.85x
Average Price/CashFlow	102.52x	18.78x
Average Quick Ratio	1.57	0.62
Average Current Ratio	1.83	1.23
Average Total Debt to Equity	169.80	224.01
Average LT Debt to Capital	46.38%	56.40%
Average Return on Equity	18.60%	54.21%
Average Return on Assets	5.45%	8.25%
Average ROIC (ttm)	8.10%	16.20%
Average Book Val./Market Val.	55.39%	25.54%
Average Asset Turnover	0.53	1.08
Average Inventory Turnover (ttm)	36.15	6.70
Average EBITDA	$20,469,432,609	$6,244,743,750
Average Operating Margin	16.47%	17.39%
Average Profit Margin	10.66%	10.64%
Average Gross Margin (ttm)	48.62%	37.45%
Average Revenue	$65,341,739,130	$56,240,312,500
Average Market Cap	$210,061,304,348	$83,234,375,000
Average Enterprise Value	$234,196,956,522	$95,605,312,500
Average Enterprise Value/Revenue	3.21	3.45
Average Enterprise Value/EBITDA	13.80	17.64

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Consumer Discretion	Energy
Average Price	$287.57	$82.69
Average Trailing P/E	28.11x	10.95x
Average Forward P/E	20.76x	11.83x
Average Price/Sales (ttm)	2.30x	2.04x
Average Forward Price/Sales	1.94x	1.90x
Average Price/Book (mrq)	27.68x	3.57x
Average Price/CashFlow	88.86x	4.06x
Average Quick Ratio	0.78	1.03
Average Current Ratio	1.74	1.31
Average Total Debt to Equity	521.07	83.44
Average LT Debt to Capital	76.68%	38.92%
Average Return on Equity	39.83%	38.20%
Average Return on Assets	7.82%	10.28%
Average ROIC (ttm)	12.19%	10.34%
Average Book Val./Market Val.	27.99	41.17
Average Asset Turnover	1.02	0.88
Average Inventory Turnover (ttm)	19.47	22.15
Average EBITDA	$4,408,659,000	$12,719,695,652
Average Operating Margin	9.15%	26.42%
Average Profit Margin	2.92%	18.81%
Average Gross Margin (ttm)	36.79%	34.36%
Average Revenue	$32,166,500,000	$58,999,130,435
Average Market Cap	$72,024,500,000	$70,573,913,043
Average Enterprise Value	$84,025,666,667	$81,097,391,304
Average Enterprise Value/Revenue	2.97	2.49
Average Enterprise Value/EBITDA	34.29	8.28

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Finance	Healthcare
Average Price	$148.24	$223.07
Average Trailing P/E	18.59x	29.98x
Average Forward P/E	14.72x	21.78x
Average Price/Sales (ttm)	3.65x	4.51x
Average Forward Price/Sales	3.68x	4.39x
Average Price/Book (mrq)	4.05x	76.07x
Average Price/CashFlow	14.14x	23.37x
Average Quick Ratio	49.53%	1.46%
Average Current Ratio	1.43	2.06
Average Total Debt to Equity	76.70	557.92
Average LT Debt to Capital	37.97%	43.34%
Average Return on Equity	15.95%	79.39%
Average Return on Assets	3.01%	8.55%
Average ROIC (ttm)	12.06%	14.53%
Average Book Val./Market Val.	66.15%	27.26%
Average Asset Turnover	0.20	0.91
Average Inventory Turnover (ttm)	0.17	7.02
Average EBITDA	$2,427,148,254	$6,585,072,742
Average Operating Margin	30.65%	20.87%
Average Profit Margin	23.54%	13.96%
Average Gross Margin (ttm)	68.36%	49.18%
Average Revenue	$23,679,133,968	$43,058,387,097
Average Market Cap	$55,865,396,825	$78,701,612,903
Average Enterprise Value	$35,917,301,587	$87,456,774,194
Average Enterprise Value/Revenue	2.59	4.71
Average Enterprise Value/EBITDA	5.10	22.60

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Industrials	Information Tech.
Average Price	$173.67	$189.15
Average Trailing P/E	24.75x	51.33x
Average Forward P/E	19.78x	23.62x
Average Price/Sales (ttm)	3.10x	6.24x
Average Forward Price/Sales	2.95x	5.80x
Average Price/Book (mrq)	5.79x	29.52x
Average Price/CashFlow	15.39x	26.83x
Average Quick Ratio	1.06	1.36
Average Current Ratio	1.62	1.81
Average Total Debt to Equity	112.84	165.92
Average LT Debt to Capital	51.50%	51.01%
Average Return on Equity	24.13%	155.05%
Average Return on Assets	7.90%	9.65%
Average ROIC (ttm)	9.63%	19.25%
Average Book Val./Market Val.	21.30%	21.52%
Average Asset Turnover	0.88	0.73
Average Inventory Turnover (ttm)	24.39	11.80
Average EBITDA	$3,284,575,600	$8,172,898,060
Average Operating Margin	16.81%	24.15%
Average Profit Margin	12.01%	18.92%
Average Gross Margin (ttm)	32.64%	53.15%
Average Revenue	$19,690,000,000	$24,492,537,313
Average Market Cap	$41,281,466,667	$144,971,343,284
Average Enterprise Value	$49,429,200,000	$149,686,268,657
Average Enterprise Value/Revenu	3.48	6.38
Average Enterprise Value/EBITDA	17.52	23.34

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Materials	Real Estate
Average Price	$127.63	$139.65
Average Trailing P/E	21.43x	72.20x
Average Forward P/E	16.20x	41.51x
Average Price/Sales (ttm)	2.11x	9.80x
Average Forward Price/Sales	2.03x	9.77x
Average Price/Book (mrq)	5.61x	4.66x
Average Price/CashFlow	16.6x	20.7x
Average Quick Ratio	1.12	714.70
Average Current Ratio	1.84	6.77
Average Total Debt to Equity	168.36	175.86%
Average LT Debt to Capital	43.52%	59.86%
Average Return on Equity	37.91%	13.05%
Average Return on Assets	8.44%	5.54%
Average ROIC (ttm)	12.10%	5.06%
Average Book Val./Market Val.	38.97%	35.46%
Average Asset Turnover	0.76	0.22
Average Inventory Turnover (ttm)	6.67	0.00
Average EBITDA	$4,456,538,462	$3,214,870,645
Average Operating Margin	18.22%	53.38%
Average Profit Margin	11.89%	28.88%
Average Gross Margin (ttm)	28.91%	57.97%
Average Revenue	$18,490,000,000	$4,405,806,452
Average Market Cap	$32,320,000,000	$32,694,193,548
Average Enterprise Value	$38,326,153,846	$44,167,096,774
Average Enterprise Value/Revenue	2.46	13.56
Average Enterprise Value/EBITDA	11.47	20.02

S&P 500 SECTOR AVERAGES

8/26/2022

Sectors	Utitlies	S&P 500
Average Price	$82.61	$151.18
Average Trailing P/E	25.35x	30.4x
Average Forward P/E	21.53x	22.16x
Average Price/Sales (ttm)	3.16x	3.87x
Average Forward Price/Sales	3.19x	3.68x
Average Price/Book (mrq)	2.59x	16.97x
Average Price/CashFlow	13.35x	31.33x
Average Quick Ratio	0.44	70.33
Average Current Ratio	0.81	2.04
Average Total Debt to Equity	161.44	219.76
Average LT Debt to Capital	58.38%	51.26%
Average Return on Equity	10.45%	44.25%
Average Return on Assets	2.94%	7.07%
Average ROIC (ttm)	4.01%	11.23%
Average Book Val./Market Val.	45.2%	36.90%
Average Asset Turnover	0.27	0.68
Average Inventory Turnover (ttm)	16.57	13.73
Average EBITDA	$4,287,037,037	$6,933,697,437
Average Operating Margin	19.57%	23.00%
Average Profit Margin	11.93%	14.92%
Average Gross Margin (ttm)	39.96%	44.30%
Average Revenue	$13,407,777,778	$32,724,665,879
Average Market Cap	$38,439,629,630	$78,197,066,841
Average Enterprise Value	$63,157,407,407	$87,551,411,769
Average Enterprise Value/Revenue	5.11	4.58
Average Enterprise Value/EBITDA	29.82	18.53

Undervalued Healthcare Companies of the S&P 500

8/26/2022

Symbol	ABC Amerisource	ABBV AbbVie	AMGN Amgen	DVA Davita	HCA HCA Healthcare	HUM Humana	S&P 500 Healthcare	S&P500
Forward P/E	12.59x	9.78x	13.51x	11.61x	11.83x	19.92x	21.78x	22.16x
Forward P/S	0.13x	4.06x	4.89x	0.68x	0.96x	0.66x	4.39x	3.68x
P/B (mrq)	136.28x	16.38x	52.94x	13.43x	N/A	3.99x	76.07x	16.96x
P/CF	11.82x	10.47x	13.72x	4.94x	7.52x	15.37x	23.37x	31.32x
ROA	3.19%	8.14%	10.46%	5.76%	11.73%	6.66%	8.55%	7.07%
ROE	389.57%	92.71%	123.31%	41.96%	2,259.57%	20.72%	79.39%	44.25%
BV/MV	0.7%	5.9%	1.8%	7.2%	-6.1%	24.4%	20.1%	36.9%

Undervalued Materials Companies of the S&P 500

8/26/2022

Symbol	BALL Ball Corp.	DOW Dow	EMN Eastman Chemical	IP Int'l Paper	LYB Lyondell Basell	NUE Nucor	S&P 500 Basic Materials	S&P500
Forward P/E	16.81x	7.13x	9.65x	9.26x	5.23x	4.89x	16.20x	22.16x
Forward P/S	1.13x	0.62x	1.06x	0.71x	0.5x	0.84x	2.03x	3.68x
P/B (mrq)	5.15x	2.06x	2.19x	1.69x	2.29x	2.17x	5.61x	16.96x
P/CF	15.01x	4.22x	9.25x	8.81x	3.28x	3.9x	16.6x	31.32x
ROA	4.54%	8.82%	7.22%	4.20%	12.74%	28.30%	8.44%	7.07%
ROE	20.96%	37.58%	21.46%	16.30%	47.39%	62.28%	37.9%	44.25%
BV/MV	18.25%	48.5%	43.8%	58.7%	41,33%	47.4%	39.0%	36.9%

The Good, The Bad, and The Ugly

The Good

WWE +50%

World Wresting Ent.
Recommended December 2020

AAPL +20%

Apple, Inc.
Recommended December 2020

The Bad

For a second straight quarter there isn't much bad to discuss, almost everything is ugly.

The Ugly

PATH –64.0%

UiPath
Recommended December 2021

MQ –59.0%

Marqeta
Recommended December 2021

RBLX –24.0%

Roblox
Recommended March 2022

As mentioned in the write-up for PubMatic, the investment environment for unprofitable growth companies in technology has been difficult. Investors have transitioned from growth companies and have sought out value companies that provide stable profits, stable free cash flow, and dividends. In spite of the heavy declines, we've continued to invest in UiPath, Marqeta, and Roblox. When we considered UiPath, Marqeta, and Roblox, we wanted to invest in companies that had the potential to be leaders in their niche in the next decade. We thought about Tesla, who in 2011 saw its stock price decline 40%. In 2011 the decline felt like a disaster, but looking back, it was the buying opportunity of a lifetime, as Tesla has gone on to increase by more than 6,000% since then. The investment stories for UiPath, Marqeta, and Roblox remain strong.

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.

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Thanks again for purchasing The Seville Report.

Reviewed Stocks That Didn't Make the Report

Company	Stock	Price	Grade
Unity	U	$42.71	F
International Money Express	IMXI	$24.11	C
Calix	CALX	$58.77	C
Medifast	MED	$134.80	D
Nike	NKE	$111.00	D
United Microelectronics	UMC	$7.24	F
Ciena	CIEN	$54.21	F
Southern Copper	SCCO	$48.40	F
Kering	PPRUY	$56.72	D

In our review during the quarter, **International Money Express** and **Calix** both received passing grades. Before putting them in the newsletter we wanted to watch both companies for another quarter. **Medifast** and **Kering** were close to passing, and could be good recommendations in another six months. **Nike** was another stock that just missed a passing grade. In Nike's SNKR app, we had come across way to many sneakers that didn't sell out on the first day. Nike is at its best when it's in sync with its customer's wants and needs. The amount of unsold sneakers on the app indicated to us that Nike wasn't on the same page as its consumers during the quarter.

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.

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
Kendrick Lamar	Mr. Morales & The Big Steppers
Jordyn Edmonds	Love That
ZaeJD	GTTM
The LOX	Terminator LOX
K-Os	Superstar Part Zero
Eric B & Rakim	Paid in Full
Gorillaz	New Gold
Drake	Honestly Nevermind
Nas	Magic
Tara Kemp	Hold You Tight

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