THE MIKE ALKIN SHOW

TALKING STOCKS OVER A BEER

Ep. 3: A Beginner's Crypto Course...

And Three Gold Stocks Poised to Soar

Speaker 1: Free and clear of the chatter from Wall Street, you're listening to Talking Stocks Over a Beer hosted by hedge fund veteran and newsletter writer Mike Alkin who helps ordinary investors level the playing field against the pros by bringing you market insights and interviews with corporate executives and institutional investors. Mike sifts through all the noise of mainstream financial media and Wall Street to help you focus on what really matters in the markets. Now, here's your host, Mike Alkin.

Mike Alkin: It's Monday, February 26. Welcome to the podcast. I am fresh off of a road trip with my son. I mentioned to you last week I was taking my 12-year-old down to the Mid-Atlantic and we were going to go on a basketball road trip. It was just an absolutely spectacular time. We wound up, our trip at the Georgetown game on Saturday afternoon but we started the trip, we took a seven-hour drive down to the University of Virginia in Charlottesville and we got to watch the number one ranked Virginia Cavaliers play Georgia Tech and it was a great game and we stayed right on the campus of the University of Virginia at the Darden Inn, which is right by the Darden Business School and it was very nice hotel.

Then, we spent some time and we played some hoops in the afternoon, and then, we went over to the game at night. It was fabulous. The only thing I'll tell you, we ordered tickets, I ordered tickets on StubHub for all the games and StubHub when you're looking at it, it gives you a visual of where you're buying the tickets, and so, when we looked at it, we were about mid-court, we were about midway up and, okay, great, nice tickets, reasonably priced.

When we got there, we wound up climbing and climbing and climbing and it was the second row from the top, and when you looked at what StubHub showed you, it looked like you were mid-arena. Instead, we were up in nosebleed country and my kid looked at me saying, "Dad, really?" I said, "Come on," You get [inaudible 00:02:16] but on the fly, I adjust it, and I said, "Well, Jack, take a look. I mean we get to see everything." You can really see the plays developing and it worked, right? That was good.

We did there ... I have to say though, I was, I've been to a lot of college basketball arenas and John Paul Jones Arena, it's a fabulous arena, it's a beautiful campus, the arena's great. I was surprised at the crowd having been to some college basketball arenas where the crowd can go nuts. This was a more reserved crowd and considering it's the number one ranked team in the country and I'm going to hear from Virginia fans and it's, I'm just telling you what I saw, and my son looked at me at halftime, he said, "Dad, how come everyone's so quiet?"

I said, "Yeah. I don't know." It was a great game. They were playing Georgia Tech, didn't have a great record but it was, they played really well. It was a close game up until the last few minutes. I was a little surprised but, again, a great experience. We had a really nice time, and then, the next day we went up to, we drove a couple of hours. I think it was two and a half hour drive. We drove to Annapolis, Maryland and that was just absolutely just spectacular.

I took him on the ground to the Naval Academy and besides spending way more than I wanted him to in the gift shop with all his Navy gear because he's a big fan of the Navy SEALs and all that stuff so we got him all his Navy paraphernalia but we walked around the campus and we just had ... It was really nice. It was just a very, as an American, we took pride in that and it was a really nice experience.

Then, we went to get something to eat and somebody said, "Go to the Middleton Tavern," which is right outside the gates of the Naval Academy. In America, we don't have a lot of really long-dated history. If you go to the UK, you go to Europe they have, they're going back forever, right? Here in the US, we go back a couple of hundred years and you don't see that a lot. If you drive around America like I do doing my research trips and you see a lot of things that look like they were just put up yesterday.

A lot of shopping centers and a lot of chain stores, chain restaurants, but this was different. Middleton Tavern was just, it was built in I think it was 1750 and it's a small building and you walk in and you could just feel the history. You could feel everything about it, it was just fabulous and come to find out who ate there, George Washington, Thomas Jefferson, Ben Franklin. These guys ate right there and we learned about the history of it, and so, just being in there I thought, "Okay, great. Well, this is really nice, Mike."

My son was loving it. He was absorbing the history. The service was fantastic, and then, the mussels came and, oh, I'm a big mussel fan and in our town, we have a great mussel restaurant but this was, their mussels were out of control. They were so good and if anyone is in Annapolis, Maryland and I have no dog in this hunt but I would highly recommend if you are a mussels fan, go to the Middleton Tavern and it was just an absolutely great meal. It was a great hour and a half that we spent there. A lot of history, great food, really great service so it was really good.

One of the things we did on the trip is, as I mentioned, we played basketball at Virginia but each day we would look for a playground that had a basketball court and we would go and play and we play three games. We play 2-11 and it's the best 2 out of 3 and he's good. He's tall. He's good and he keeps me running so that was a lot of fun. Then, Friday night we went to a Washington Wizards game in downtown DC and we watched them play the Hornets and the Wizards actually having a decent season they got blown out but we had good seats. It was a lot of fun. The crowd was spirited so it was great.

We finished it up with the Georgetown game on Saturday, which was fantastic. Georgetown played Providence, it was a close game. At first, I tweeted ... I'm on Twitter. It's @FootnotesFirst by the way, but I tweeted out right before the game was starting there might have been 500 people in the stands and I tweeted, I had a picture, talk about a late-arriving crowd. I know LA has a reputation for having late-arriving crowds. This was really late-arriving but it filled up the arena pretty decently, but it was cool.

We had great seats. Patrick Ewing is the coach at Georgetown and being a New York Knick fan growing up it was nice to see him and it was a close game. It was a really good time. On the drive home, we were talking seven hours in the car, you get to talk a lot, but there and back, and one of the conversations we had is he asked me about Bitcoin. Just randomly said, "Dad, tell me about Bitcoin. What's all this cryptocurrency stuff?"

I had to wing it a little bit because I have not spent too much time talking about or learning about cryptos and digital currencies. I mean, I read a little bit like everyone else does probably but I haven't really dove into it. What I did was I just told him the best I had and I could tell the look on his face, he was looking at me like, "Yeah. Okay, dad, you're struggling here." What I thought, I'm a voracious reader and I thought it might be interesting to bring on Frank Curzio from Curzio Research to talk about it.

I know Frank's done a lot of work in the crypto and digital currency space and he actually recently hired a buddy of mine, Barry Cohen, who was in the hedge fund industry for 20-plus years and works for some of the biggest hedge funds in the world and Barry's working on a crypto project and I thought it'd be interesting to get a view on that whole crypto world, and we're going to break it down as though Frank's explaining it to people who don't know much about it, haven't spent time or just are trying to get up to speed on it.

Then, what I'm going to do today rather than do an educational segment, I wanted to bring on somebody who I have a lot of respect for, who's very knowledgeable about the, about gold, and the gold mining industry, and for a lot of reasons and we'll talk about it when I interview him but there's, for a lot of reasons I think it could be a very interesting time to start thinking about some gold exposure, gold mining exposure.

I am not one of these carnival barkers who jump up and down telling you that gold's going to 5,000 or 10,000. I have no idea, but I do think that it's an interesting time and there's a host of reasons, which we'll discuss. That is Jean-Francois Ruel who's an institutional manager in the natural resource space with a lot of experience in the space. That's the plan. I'm going to bring on Frank Curzio, and then, we're going to talk to Francois and I hope you enjoy it.

Frank Curzio, welcome to the podcast.

Frank Curzio: Well, thanks so much for having me. It's nice to be on this end, right? Than on the other end, interviewing everybody all the time. I think, right? Interviewing you especially.

Mike Alkin: I got to say, so how many Frank? Almost 600 podcasts you've done?

Frank Curzio: Oh, man. I probably did about over 2000 altogether. That's just from the past couple of years since we really started counting but I also had, went to thestreet.com when I first started so I'm basically doing it for 10 years. I don't know if you knew this Michael, but I actually used to do it every single day at, when I was at The Street for like five years.

Now, it's once a week getting people like, Frank, do it every day again like you have no life and no ... Yeah. Like, "Sure, I'll come to your house and rub your feet [inaudible 00:10:20] give you free stock advice and stuff." But I have to help my subscribers out who pay for my services as well sometimes so.

Mike Alkin: Having to spend this for a few times now I have to tell you I really commend you because it's what, it's a lot of fun but it's also a lot of preparation, a lot of work goes into it.

Frank Curzio: Yeah. A lot of work goes into it but, and huge benefits, right, Michael? You're starting to realize; one, you get to talk to an amazing professional and people who are listening don't realize that that's a benefit for the person who's hosting the podcast as well, right? Then, you build up this massive network of people who are going to listen to you and most of these people have their own businesses and are smart or brilliant in some way or another that really become your own like personal research assistants all around the world that had giving you feeding advice all the time so it has huge benefits to it but it is a lot of work.

Mike Alkin: It's so true. For 20 plus years my network is CEOs and Wall Street guys and other business owners but that's the world I lived in. Now, having the podcast, having a newsletter, it's fascinating for me to see all the people from around the world that reach out to me. I am bearish on the car cycle and when I tell you that the photos I get from people showing me cars sitting in overfill lots around the country, and that's fascinating stuff. I don't solicit that. I just, I'm talking about it and here come the pictures, right? It's really fascinating.

Frank, you're a huge college hoops fan. I know you're a Kansas Jayhawk fan and in my family, we're big college hoops fans, pro basketball fans and I took my 12-year-old this week, this past week, they had a school break so I took him to a road trip in the mid-Atlantic. We went to the University of Virginia. We went to a Washington Wizards game, and then, we finished that out with a Georgetown game.

It was a fascinating trip and on the road, we got to spend, it was great. We spent seven hours of time in the car each way so it was just a great dad/son trip and something I'll always remember and I'm sure, hopefully, he will as well. We talked about everything and one of the things he said to me was, "Hey, Dad, what's Bitcoin and cryptocurrency and all that stuff?"

I think I told ... I don't know if I told you, Frank, but my daughter came back from religion class a few, I don't know, month or so ago and she said, "Hey, Dad. Do we own Bitcoin?" I said, "No. Honey, we don't." She said, "Well, Pastor Ian says we should have it." I said, "Oh, great." She said, "I thought you were a good investor." I said, "Well, I'd like to think I am but ..." Here is my son asking me about crypto and Bitcoin and I just haven't spent a lot of time on it and I thought ... I didn't have great answers for him and I said, "You know what? I'm going to get smarter on this and who do I know that really knows this base really well is Frank."

I called you last night, I said, "Hey, would you be kind enough to come on the podcast?" You said, "Yes." For the listeners, Frank, who have heard about cryptos, they've heard about digital currencies, they've heard Bitcoin, Ethereum, whatever it may be, but let's pretend I know nothing. Let's just start from scratch. Tell me real quick, how do you think about the world of cryptos and digital currencies and Bitcoin? How do you break it out and how do you think about it?

Frank Curzio: Yeah. I would tell your son that Frank doesn't know too much about it either. In all seriousness I say that, this is an industry that I've been closely looking at for a year, a little bit over a year, did a lot of contacts but it's an industry that's evolving. It's like the Internet in, I would say, not during the Internet boom but just before when you don't understand the capabilities of what it could actually be yet.

New technologies being developed by the month, things could change right away but basically, it's ... When you're looking at Bitcoin and you're looking at blockchain, which is the technology behind Bitcoin is just a decentralized ledger. Now, what does that mean? It's a record keeper so what it does is keep actual records and timestamps. Now, why is that so important and it does this digitally is because we have banks that do this all the time and our banks, we know two things. One is they love to charge us fees, and two, that they're susceptible to hacks.

Every Fortune 500 company has been hacked. They're going to get hacked again. They still haven't solved this problem and they won't be able to solve this problem. When you have blockchain technology it provides an easier system to transfer payments. It provides an easier place to timestamp and also adds a layer of security where it's almost impossible to hack because every time the blockchain grows and I don't want to get too complicated here into the data mining aspect but a new block is added to the chain and once that those blocks, once a new block is added it's hard to add the next block, more difficult to solve a mathematical equation, get it the next block and what that means without getting complicated is it makes the blockchain nearly impossible to hack.

It doesn't mean a wallet on Coinbase can't get hacked, it doesn't mean that an exchange can't get hacked but the blockchain technology itself can't get hacked and why is that a big deal because we have cloud computing and digital records are being stored and even think about it on a military basis, where our weapons or spies and stuff like that, look at the emails between Clinton and Trump campaign, how we were able to hack those records and all that will not happen with the blockchain and when you look at this and say, "Well, is this real? Is this just a trend?"

This is very, very real because when you see the biggest companies in the world, all the biggest financial companies investing in this trend and not investing it because they're saying, "Hey, this is the new hot thing, let's get in it." They're investing in it because blockchain threatens the foundation their businesses were built on and this is a foundation that they're used to charging massive amount of fees, you're talking about even brokerage accounts as well, you looking at exchanges, but if you open up a brokerage account today, Michael, it'll take two or three days, right? By the time you get the paperwork done, you got to sign it, send it back. You can't really do it in a day.

Blockchain you could ... If you want to sign up for Coinbase or some other sites, it could take a few hours. If you want to transfer payments from here to a family member in India, wherever, Africa, wherever you want, you could do that and the fees could be so much lower than they are compared to using a bank and a lot of these records will get keep on that ledger and timestamped so it's a remarkable thing while learning it and the technology changes very fast and it really is an amazing industry.

Mike Alkin: Truly a disruptive technology?

Frank Curzio: Absolutely. Yes. Blockchain is disruptive but when you get ... More to your son's question where Bitcoin ... and Bitcoin is the main currency that runs on the blockchain then you have things like Ethereum and you have Litecoin, and then, you have all these other coins coming out and a lot of these coins come out through ICOs, which is initial coin offering so when you look at things like this, a lot of these companies are changing their names. The blockchain these ICOs are coming out they really don't have blockchain technology that you really need, you really need blockchain. Do I really need a currency in order to buy something digitally when I could do that right now?

Yeah, the records might be a little bit more safer in it, it makes sense and like the payments industry, it makes sense in the banking industry and even cybersecurity but it doesn't make sense in a lot of industries. You're just seeing people take advantage of this system because anything crypto related people just want to pour money into so we're at the stage where, hey, you know what? We created a newsletter we have, we also just hired Barry Cohen. He's a good friend of yours as well. We started a cryptocurrency newsletter to say, "Hey, here's where the BS is. Here's what you have to avoid and here's what's important about this long-term trend."

Mike Alkin: We have the crypto, we have blockchain technology, which is the foundation for all of this, and then, we have the ICOs, initial coin offerings. Then, there's other ways to play it though; there's through the equities, right? There's publicly traded companies that have blockchain technologies. There is, like what I like to call when you think about the mining companies there's the picks and shovels guys or there's the guy, the miners.

How do you think about that when you're thinking about the way to play the whole blockchain? From the ground up, from blockchain up, is it the ICO? Is it the publicly traded equities that have exposure to it? How do you think about that? How should investors be thinking about that?

Frank Curzio: The way I'm thinking about it right now is because I'm not a cryptocurrency expert where there's traders and I had on my podcast Wall Street Unplugged, I had two traders on and that's what Barry's going to focus on when we launch his newsletter for Curzio Research next month. For me, I'm focusing on the stock aspect of it. What companies that you could buy through your brokerage firm that have exposure to this trend?

It's a new, relatively new trend so when you look at the bigger companies, obviously, its exposure is going to be very, very tiny with huge upside potential. Even though cryptocurrency could become or blockchain becomes 5% of the sales or 10% of sales, which is very slow. Remember a lot of companies, and you know this, Michael, which you have been writing about, have trouble growing sales. They have trouble finding a growth component and this is a growth component.

Adding that to some companies is going to increase their multiple, which results in the higher stock price for some of them so you don't need to see sales. Blockchain or cryptocurrency become 30% of sales to be meaningful, it could be 5, 10% as long as you're adding a growth component to maybe a slow-growing old-fashioned technology stock. You'll see that stock price move [inaudible 00:19:40] go high because they finally, they'll have a growth multiple instead of a value multiple.

If you're looking at picks and shovels plays, there's data mining. Data mining is basically solving a mathematical equation and adding another block so when you do that, you get rewarded in Bitcoin, you get rewarded in Ethereum and there's, not to get too technical but there's two types. I think a lot of people don't know this but if you're data mining for Ethereum this is where NVidia comes in and AMD because there's special cards where you could data mine for Ethereum, you could data mine for Zcash or whatever it is, but when you mine for Bitcoin it's a totally different system.

These are special systems and the best system right now is called the Antminer S9. I try to get, not get too technical but that's produced by Bitmain by using those they have the best technology. What does that mean? It means it uses up less power, which is very important because power and electricity a huge issue and it solves these equations much faster than anybody else. People would set up 10, 1500 of these or 5000 of these Antminers to mine Bitcoins, to mine Bitcash. There's certain things you combine using the Antminer systems and there certain things you could buy using the NVidia cards and AMD graphic processors, SICs they're called.

Now, when you look at this industry as a whole, what does that mean? The picks and shovels plays are companies like HIVE Blockchain, which trades on a Canadian exchange. They're one of the biggest miners in the world for Ethereum. If you're looking for picks and shovels play maybe on the Bitcoin side, you would say Taiwan Semi. Taiwan Semi produces a lot of chips that go into the Bitmain systems and go into other systems and that's going to continue because these systems come out probably every 12 to 18 months and the next stage is going to come out pretty much the next cycle begins within the next 3 to 6 months and Taiwan Semiconductors been mentioning how big crypto is.

You're talking about a massive company, yet, 2 quarters ago they generated $400 million, $400 million in sales and they really weren't supposed to give that number out because they mentioned it 2 quarters ago, this quarter they wouldn't give it out but they're saying that we're beating estimates because cryptocurrency is doing very well and people are buying these systems like crazy. Those are picks and shovels plays and there's a lot of other companies that were just monitoring to see if we could put our portfolio and because you know as well as I do, Mike, there's a lot of companies they just changed their name to blockchain whatever.

Mike Alkin: Frank, that's exactly what I was going to ask you, right? You think about mining companies, regular mining companies, pulling stuff out of the ground. When a commodity is really hot, you see a lot of people change their name to that and that's what they're doing, right? They're tourists in whatever the commodity is. How do people not get bagged? How did they not get left holding the bag when they're looking about investing in this?

Well, first question I have is, if cryptos themselves, Bitcoin, Ethereum, whatever, I see the debates and I don't have an opinion yet really, some people say Bitcoin is going to 400,000, other saying it's going to 0, right? It's fascinating and you see smart people on both sides of the argument. What happens to these picks and shovel type companies if these, if the digital currencies themselves were to take a big nosedive and, but yet we have this game-changing technology that can change the way companies operate. How does that play out?

Frank Curzio: That's a great question. I can tell you, one of the biggest risks to this market is all cryptocurrencies almost trade in line with each other, which is sad because they all do different things. When you look at Ethereum and Bitcoin those are two, Ethereum is more linked to processing and transactions with Ether and stuff like that under the Ethereum umbrella where Bitcoin is a standard of payment. You're seeing places take Bitcoin everywhere and more and more companies, hundreds of them now.

You're seeing Bitcoin ATM machines finding ways to make it easy for people to transfer cash into Bitcoin and back and forth. The fact that they all trade together is not a good sign for the market. That's one of negatives. I think you're going to see some separation of which some are higher than others, don't get me wrong but when you see, say South Korea and something gets hacked, or you're seeing regulation come into this industry, which may push this down which I think is fantastic because you need regulation, right? Everybody ... I don't care how far out there on the other end you are, say, "Oh, we need no regulation, no cops or nothing."

When your house gets robbed and all your money's gone then you're going to be like, "Oh, wait. Take it easy. I didn't mean that." You get people all the way out the other side [inaudible 00:24:11], but you do need regulation. These people have to pay taxes. This is a system. You want to have accountability because right now if you have, if you invest $100,000 on ICO and that money gets lost, who you going to call? Well, good luck because it's not regulated. You want to have this regulated, which is very important but I think you're going to start seeing the separation. You're going to see more regulation but when you do see news related events come in, it's usually everything goes up or everything goes down and you really need to see that balance.

It's almost like the entire stock market going up and the entire stock market going down [inaudible 00:24:47] individual stocks some are much better than others. It's the same in the cryptocurrency world and that lends itself to a brand new industry sector, which we're trying to navigate to and you want to be careful in this industry right now.

Mike Alkin: Yeah. It's fascinating. Do you think it's because of the lack of education or the lack of knowledge that's out there? Is that why it all gets just lumped together because people just haven't had the time really or there haven't been the resources for them to be able to differentiate? Which I know is something that you're working on with Barry.

Frank Curzio: Yeah. That's [inaudible 00:25:22] because that is something that we're working with Barry because we knew even in an Internet boom when it did come to late 1990s, right? 1997, '98 people were just all you needed was a web page and you had a billion dollar valuation. You didn't have to [inaudible 00:25:35] work, you just had to get a web page up and it was a billion dollar valuation nobody knew about it, however, what did we see?

We saw the market crash, right? We saw NASDAQ get crushed, which is filled with technology stocks, and then, it took a while for it to come back but think about early on in those trends if you own the Amazon's, the eBay's, the price lines you'd probably have, hey, you probably [inaudible 00:25:55] your own personal helicopter right now so that's what we're trying to do is find out what's real, what's not, what's good, what's bad because we know there's going to be ups and downs just like every new sector, every new industry, and disruptive technology. It's developed, what are the ones that are going to stand out 5 to 10 years from now that you could buy and that could make you an absolute fortune and have life-changing gains?

That's what we're trying to find out by tapping the right sources, going to conferences all over the world, talking to the people who have been involved in this trend for five years, not people who just, we see a lot of news on the rise out there that all of a sudden they're professionals in this and if you look two years ago they were saying how Bitcoin is going to zero but now they know they can make money off of it [crosstalk 00:26:35] which gives a bad name to the entire industry, in the newsletter business but we're trying to really give out good advice and say, "Hey, these are the guys that are fully, you know what and here's the real players that have very long-term growth that look fantastic and you want to invest in a bunch of these but, again, it's speculative money and you want to be very, very careful. Only invest the money that you could afford to lose."

But as you've seen, Michael, the gains can be extraordinary. They could happen very quick if you invest in the right things but as long as you control your risks, then it's definitely worth investing in this sector.

Mike Alkin: Well, Frank, so interesting. When I think back to the internet hype and the bubble and I was working at the time at a $10 billion hedge fund and we were one of the largest in the world and I was a generalist but I spent most of my time on the short side, but as such a big fund when companies were going public they wanted to come see us and we would meet with countless number of companies on a daily basis. They would march in and though it all starts to get blurry after a while so when I think back to the companies we met, some of them are what, some of the massive companies that exist right today and have been wildly successful and others went the way the dodo bird right away once it blew up.

But it was a new frontier and trying to analyze new frontiers are challenging so we had to come up with our own view, our own metrics, our own system if you will to sniff out what we thought were the BS companies from the real companies because the story sounds so good but then you have to step back and you have to do a lot of deep dive. How do you think about when you're looking at these companies a system or some way of that investors who are listening to this podcast can say, "Okay, here's like a playbook, a rule of thumb." What are some of the things they should be looking for?

Frank Curzio: Yeah. That's what we've provided. We've provided 11 indicators to look at to really find out which ones have the most potential. You want to look at, obviously management is important because you have kids, and I've had so many, I can't tell you how many dozens have come to us to look at their whitepaper. You know as well as I do like when you have an IPO, everything has to be laid out, every dollar has to be accounted for, what you're doing. You're raising the money [inaudible] able to raise $10 million or $20 million it's a hot market. And they have a whitepaper basically saying nothing.

What's your business strategy? Well, this is what we're going to do. Okay. Wait a minute, I'll give you $20 million and you don't even know what you're going to do yet. Well, probably going to buy a technology company and this is what we're going to do. We're going to hire [inaudible 00:29:08] they don't even have anything in place. They don’t even have a headquarters and they're raising $10, $20 million ...

Mike Alkin: That's stunning.

Frank Curzio: I know. It is stunning. You want to make sure you have a good management team in place and that includes people who had been maybe early investors in Bitcoin, have been around for a very long time. You also want to look at name changes where you can identify the most of this because I could see [inaudible 00:29:29] in the world, I really do, where you know 10 years ago, not even 10 years ago. If you look at I would say maybe like 10, maybe like 12 years ago how many [Uranium 00:29:41] companies existed. Uranium was the hottest sector in the world, right? Prices went wild. 130, 140, whatever they went.

Mike Alkin: Yeah. [crosstalk 00:29:47] over 500 ways to play it at the time. Now, there's less than 50.

Frank Curzio: Yeah. Now, it's just a handful so you see every sector, whether it's lithium. Lithium got hot. Rare earth minerals and you have Joe's Crab Shack changes its name to Lithium, Uranium whatever.

Mike Alkin: Right.

Frank Curzio: You want to be careful of name. [inaudible 00:30:07] blockchain got investigated [inaudible 00:30:09] CNBC [inaudible 00:30:10] changed its name numerous times. You just go with the cycle, right? When you change the name remember, you're going to get a quick pop from that, in the stock, right? It just happens. It goes up tremendously but the insiders could immediately sell because they own these shares already. I mean, yes, they did change in a name but it's not like they're locked up for a certain period so once that goes up they could sell, blow out their shares and we know what happens to those stocks later on because they really have no blockchain technology or anything involved in this.

I would be very careful on that end, make sure that these companies have other businesses. You don't want blockchain to be a 100% ... Unless they're able to... like HIVE Technology is a company that could generate money now, that's generating money, that's generating cash with their data mining but this is a trend. If you're looking at blockchain where you're not going to generate a fortune off of so save them ... If we have a bear market over the next few years, you're looking at a company ... It's almost like a mining company buying assets in hopes for the cycle it's going to turn, right?

But, yet, what happens if the cycle doesn't turn in seven years? You're sitting on dead money for seven years from that company. You want to make sure that they have some kind of other investment or some kind of other division and that's why it's best to, you have the IBM's, the Intel's, even the Google's. Again, it's going to account for a very, very small part of revenue but, at least, you'll get exposure to blockchain that way. Maybe Google might be a bad example but there's other companies out there that, I don't want to give too many away the ones that we've recommended on our newsletter but that's how I would kind of play it, where you want to look at risk first before you're looking at a huge return because everyone else going to tell you how much you can make, you should look at and say, "Well, if I'm wrong, how much can I lose and can I afford to lose that?" Make sure the risk is worth the reward.

Mike Alkin: What are you [inaudible 00:31:50] for listeners. Frank hired a very good friend of mine who I've known for 20 years. A guy named Barry Cohen. Barry has worked for some of the largest, most prominent hedge funds in the world and he and I were one of a handful of partners at a multi-billion dollar hedge fund for seven or eight years. He and I worked together I think it was and just one of the really, really good people in the world and for my money is one of the brightest analysts I've ever met.

His background really was financial services and understanding all those things that the blockchain, from what you're telling me, certainly sounds like it lends itself to so, yeah. He's spending a lot of his time now and I know he's going to be writing a newsletter for you that focuses on cryptos. What are you two cooking up? What are you guys ... He's like the mad scientist in the lab right now. Every time I speak to him, he's running around to conferences and doing all sorts of different stuff. What are you guys working on?

Frank Curzio: He's working on finding an amazing ICO to launch his newsletter on. He has tons of people coming to him about ICOs and Barry is one of the smartest guys and we joke around about this how smart he is and just brilliant. He's been around the industry, the hedge fund industry 20 years. Worked for some of the largest hedge fund players out there and he really rips these companies apart. He would tell you like 90 to 95% of the industry is garbage so what you're getting into is going to be very, very good [crosstalk 00:33:22] ...

Mike Alkin: Yeah. These companies have no idea what they're getting into when they talk to him. There was one ... Frank, just because I know one industry that he was talking to someone and he asked me to jump on the call just to verify whether or not they had the industry knowledge and this poor management team they had no idea how he can analyze something and they were just left shocked at how bright he was. Anyway, so ...

Frank Curzio: He is bright and what he's doing right now is he's going to all the major conferences out there. He's meeting with all the top people so it's not just, hey, here's what sells, here's going to be good. We're trying to establish and be the stand in this industry where what happens when you're the standard in industry is the best people will always come on like if he has a podcast [inaudible 00:34:05] always talk [inaudible 00:34:06] always be able to write about these people where he's getting that information straight from the source and as you know as well as I do is when it comes to this business, you have to be on the road, you have to be in the room, you can't just sit behind a desk because you're going to find the greatest ideas by traveling, by meeting especially when at ...

It's not even at conferences, is that dinner when you're having a couple of beers and you're laying back and you joke around and just laugh and that's where the best ideas come from, at least, from my 20-plus years of traveling the world, and Barry's doing a great job of that because every week he's like, "Frank, you got to see this." He's sending me things that I don't even know exist. He's like, "This is amazing. You got to check this out."

I'm like, "Why?" Just blown away because it's a fun industry because the technology is changing all the time, companies are just coming out all the time and you really need someone that understands this industry. It's in the inside that could tell you, "Hey, you know what? You need to ignore this because this is BS and this is real and this could be absolutely huge." If you had that, you're going to have a great following for a very, very long time, not just for a couple years but for decades.

Mike Alkin: He invented the term peeling the onion back I think.

Frank Curzio: Yes. He's brilliant. Great, great analyst.

Mike Alkin: Frank, you've had for many years, you've had experience in dealing with management teams that may be promotional because you've spent a lot of time looking at mining companies. Yeah, you referenced my uranium knowledge. I typically don't like mining businesses because mining companies are cash consumptive most of the time. What is it, 1 out of 3000 holes turn into a find?

I happen to be very bullish on uranium. I think it's just incredibly asymmetrical and I think it's just a one-off type unique situation, but for the most part a lot of mining companies I'm not a big fan of and you and I have talked about this before about how some of the management teams can be incredibly promotional. One of the guests I have coming on on this podcast is we're going to talk about gold, we're going to talk about gold mining, but with your experience what, because you have a thing, your 11 things to look at when you're looking at cryptocurrencies.

When you're thinking about mining companies, what are some of the things when you think back in your career, you've had experiences both wins and losses and from those experiences I'm sure you've put together a mental list of some of the things you want to look for when analyzing a mining company so whatever that mining company is. Could you share with the listeners what it is that you think is important when you're looking at a mining company?

Frank Curzio: Sure. Management is the most important thing. If you could get a management team that's brought at an early stage project to production and like you said, 1 of every 3000 projects actually becomes a producing mine so when you look at those odds if you can get someone that's running the team and they've done that, it's important. Why? Because that process takes 12 years on average.

During those 12 years if you look at the cycle and how crazy it could be, right? If anyone invested in mining right now understand since 2012 outside of a little period for 6 months in early 2016, it's been a horrible market. Before that, it's been a great market. You have to know when to cut costs, when to get aggressive. Management is important.

You want to look at geography because you have to be in mine friendly areas because if you have a major discovery and I've seen this before in Venezuela where the government could just say, "You know what? We're going to take 75% of that instead of the 10% we agreed upon overnight." The stock will go to zero so you want to make sure you're operating in mine friendly areas.

You want to also make sure that if someone has a major discovery that there's infrastructure already in place. Is it in the middle of nowhere because I could tell you, it costs tens of millions of dollars and when you're looking at junior mining companies with a market cap of say 40 million, 50 million, 60 million and it cost 30 million just to set up roads, electricity, water, buildings, people ... Did you discover this in area that is already not only mine friendly but is their gold producers, are there solar producers in the area that have this infrastructure in place? Because then you could basically, you have roads in place and stuff like that.

When you're looking at a cash, it's really important because these companies don't generate revenue when you're looking at a junior minor level and that means that they're going to have to raise cash consistently in order to drill. How much cash do they have? Look at their burn rate, see how much cash that they have over the next year or two because if they need to raise money they're going to have to do it at a lower price and they're going to dilute shareholders but with all that said, I've been told all my life that management's the most important thing, yet, if you invested in any single mining company over the last four years, I don't even care if it was the Pope that was the CEO, you got destroyed, right?

You got destroyed. It doesn't matter who the management team was and how great they are, right?

Mike Alkin: Yeah.

Frank Curzio: The number one factor you want to look at, the macro environment, and that's tough because you're like, "Well, what drives gold?" People say inflation. I can give you periods where inflation drove gold, where deflation didn’t drive, where deflation drove gold and it didn't drive gold. When you look at, even in the interest rate environments too, you want to see what the macro event, what's going to drive gold?

Right now when you look at the macro, I don’t want to get too economical and you can go crazy but the factor is today are really set up for the first time in five years where gold should go a lot higher and what happens when gold goes higher? Usually, junior miners go higher, not the junior miners, I'm sorry. The royalty companies go higher and that's what we're seeing. Then, it's followed by producers. We're starting to see a little bit of that. Then, it filters down to the junior miners. It's almost like a little bit of a lagging effect.

Now, you're looking at interest rates rising, which is favorable. You look at inflation rising which is favorable. We're seeing trends that are taking place for the first time since the credit crisis and those trends usually are favorable for gold, which has been a completely ... Outside of uranium, unfortunately, which is an industry that you cover. If you look at everything, gold in some ways it's been a terrible market [crosstalk 00:40:07] ...

Mike Alkin: It's going to have its day, Frank. It's coming. It's coming.

Frank Curzio: It will. It will. Look at the market conditions right now if I would say over the next 18 months. I'm really bullish and I'm not a [inaudible 00:40:16] I think but I'm pretty bullish on gold, silver. I think commodities are going to do very well in an inflationary environment, prices will go up, and that should be really good for junior mining companies, and real quick here, and I've talked too much, but they're going to be very good, you also want to find projects to have high-grade gold, which is important.

When you say high-grade gold, what does that mean? Think of if you buy an engagement ring, right? It's a diamond at, one-carat diamond could cost anywhere from $200,000 to a $1000 so high-grade means better quality. That's important because over the last five years, seven years if you're looking at the majors, they've significantly underinvested. They got so leveraged from 2010, '11, '12 that they were just worried about repairing their balance sheets that they didn't invest in any projects so they're producers, they need to produce gold just like oil companies need to produce oil, yet, they're running out of gold in their balance sheet.

They don't have that much gold. They have to go out and find it. They have to buy projects. That brings a lot of these junior miners employee especially if gold prices go higher so hopefully, there wasn't too long winded but ...

Mike Alkin: No. That was great. That was great. We have a few minutes left. You started ... When did you start Curzio Research?

Frank Curzio: I started Curzio Research about a year and a half ago.

Mike Alkin: You're an entrepreneur now.

Frank Curzio: Yes. Isn't everybody an entrepreneur? Everybody who talks is an entrepreneur these days.

Mike Alkin: You grew up in the business. Your dad had one of the most successful newsletters, and then, you worked for a newsletter for many years. You worked at thestreet.com, you worked for Jim Cramer for five years and I know you were at Stansberry was their top newsletter writer for a lot of years. What's it like running your own shop?

Frank Curzio: Man, it's fun but you have an appreciation because just being an analyst, my job was just to travel, find the best ideas. Now, that's about 40, 45% of the work you do because you're running a business with credit card processing, accounting, and we were fortunate where we grew very fast right away and all of a sudden, for me, if I'm hiring someone like, "Hey, here's your check." Okay, it's great [inaudible 00:42:19] we need to account everything. Because there's so much going on now because now we have I think 11, 12 employees including consultants, and so, we're pretty fast and things are good but you run into a ton of problems, you're putting out a lot of fires.

You want to make sure that the team environment is always there to focus, it's never personal, it's always business related to build the company and the brand but it's a lot of fun. It's cool. I'm having a great time doing it but it is ... If anyone out there is an entrepreneur, start growing business, once it starts getting successful, one of the biggest downside is managing your family life because you really have to work. Jordan, you look at Brett Favre, whoever you want to look at, Lebron James, you don't become the best without sacrificing something and sometimes you sacrifice and you want to make sure that family life is always great as well because you're putting in much, much, much more hours.

There's always something to do, your job is never complete where you're like, "Oh, great. I did everything and now I could take a week off." No. There's always something to do and managing family life and business is always ... That's the biggest challenge for me and from what I hear from a lot of entrepreneurs where their business start becoming successful.

Mike Alkin: That Frank is why you have a season pass to Disney because to make up for that lost time, you're going to Disney quite a bit, aren't you?

Frank Curzio: Yeah, but, yeah, you need more than that, man. I used to, that used to work. Now, it's like, what ... No. You know how it is. The wife lays down the law and when wife is happy, everybody's happy so you want to make sure she, it's more than Disney though as you know.

Mike Alkin: Hey, I really appreciate the time, Frank. Thanks for helping us get smarter on crypto stuff.

Frank Curzio: Thanks for having me on, man. Congrats and so happy you started a podcast, man. I think it's going to be very successful and look forward to listening to the future issues, man.

Mike Alkin: Thanks, buddy. Talk to you later. I always love talking to Frank. Since I've been working with him it's, I've gotten to know him really well and we spend a lot of time talking so I wanted to bring him on because I have not spent a lot of time talking with him about Bitcoin or cryptos but, crypto stocks but I know he and Barry are doing a lot of work on it so I thought who better to educate me and educate you than him and while I had him on the phone, I know Frank has done a lot of investing in the gold space and we're going to be talking right now with someone because I think as Frank said, as he talked about the backdrop for gold looking very interesting, I wanted to bring on somebody who I have a great deal of respect for, who I've known for a while now and to talk about gold, who is the fund adviser and chairman of the Tundra Capital Management Fund, which is a daily net asset value focused fund in precious metals and mining stocks, which is based in Luxembourg.

He is the former senior vice president, a former senior vice president in many large banks in Canada with a lot of experience in resource sector that dates back about 30 years. I'm going to bring my guest on, Jean-Francois Ruel. Francois, welcome to the podcast.

Jean-Francois R.: Well, hi, Mike. Thank you very much for having me. Thank you, sir.

Mike Alkin: It's my pleasure. It's nice when we could talk stocks and natural resources and economics and not just hockey like you and I like to spend time talking about so ...

Jean-Francois R.: Exactly.

Mike Alkin: Folks, Francois and I met years ago and one of the things, we're about the same age and we're children of the late 70s and 80s and Francois was a hockey player and a big hockey fan and one of my favorite teams growing up, I was a big fan of the Islanders but we had a rivalry with the Montreal Canadiens back in the early 80s and they had a national anthem singer who sang the Canadian national anthem named Roger Doucet, and when he sang that, it would send chills up your spine so when Francois and I first met, I told him I knew Roger Doucet and I think he was shocked by that so we had an immediate hockey bond.

But let's ... Francois, let's ... I was just talking to, with listeners on the podcast and I was telling them about my caution on the markets and I see a lot of need to start thinking for people to think about capital preservation as we talked about the twin deficits. We see a bond market that looks like it's coming a 30-year bull market is coming to a close. We see interest rates rising. I don't know how the government is going to pay for these debts. Can you tell us, could you give us an overall view of what you're thinking and how you're thinking about the gold, the precious metal space and what leads you to think that based upon your macro top-down view?

Jean-Francois R.: Yes. Thank you, Mike. Well, when I look at the market, the equity markets actually as a whole, when I look at the valuations right now. The S&P 500 taking the Shiller 10 year PE ratio is trading at 33 times versus the mean at 17 times so if you invest today in the market, in the equity markets, your expected return in 5 years is minus 4%. I'm a little bit nervous about a possible major correction in the market based on valuations. Combine that to the bond market, the bond market is sending a very negative message here I think.

Mike Alkin: Francois, I'm going to interrupt you for a second. You just said something very interesting. The bond market is sending a negative message and I have said before, and I think I've said it on the podcast if not, I've written it. That the bond market is a great indicator of where the equity market is going and I always like to say the bond guys are smarter than the stock guys. Can you just expand upon that?

Jean-Francois R.: Well, if you look at the 10-year bond yield in the US when the Fed stop their bonds of easing program in 2016, the 10-year bond yield was roughly 1.2, 1.3%. Now, the 10-year bond yield is close to 3%, and in September 2017, it was 2%. I think the bond market is suggesting something is wrong, something's going wrong right now, and when I take the dividend yield of the S&P 500, it's below trading below the treasury so basically, you have riskier assets delivering lower income.

I'm very nervous about the market, the debt level, the federal debt has doubled since 2008 from 60% of total GDP to above 100% right now, so with the fiscal program adopted in December in the US, you have less tax receipt coming in and they're spending more so the debt will escalate going forward and the interest is going up so how the bondholders can justify, to invest at current level so I don't get it.

Mike Alkin: When we think about interest rates if you go back to, for years, the Fed before they became professional money printers with all this quantitative easing. It used to be to fight inflation, right? You would raise interest rates to fight inflation and the inflation numbers have been very low for many years now and I find that interesting because while the official inflation rate is low, healthcare rates are going up, rents are going up, house prices, financial asset inflation has been enormous, what's your view on inflation and is the bond market telling us that that's the main risk? Or is it balancing it with the deficits because you have ... One of the things I think is interesting is as rates were going up, many companies, I think it's 40% of the Russell 2000 companies pay interest based on LIBOR.

You have a lot of debts coming due that need, are going to be repriced at higher interest rates right in the face of rising interest rates, which will cost more an interest expense, but what are you seeing on an inflation front? How do you view inflation right now?

Jean-Francois R.: I think inflation is definitely in progress in the US. There's an economic theory called the Phillips curve. The Phillips curve is when unemployment is low, inflation is picking up, so there's an inverse relation between unemployed and inflation. At 4.2, 4.3% unemployment rate you have definitely a perfect scenario for inflation to pick up and the numbers that we saw in January suggesting that we have inflation pick up here. When I see the bond market moving up, the rates moving up there's definitely a signal that inflation is picking up.

Mike Alkin: All of this makes the equity markets vulnerable.

Jean-Francois R.: Exactly. I think that we only see the tip of the iceberg. We've seen for seven, eight years a money-printing scenario and rates going down from 5% to almost 0%. We're seeing the opposite side so basically, I think that the market should be worried about that. When I look also, I was talking about the federal debt level to above

100% to GDP. Two things here, in 2008, when the crisis started, it started with the banking system. It started with huge worries about the banking system in the USA, but also in Europe and people realize that some countries like Greece could go belly up.

At that time, in 2008 debt to GDP for Greece was 115% so in the US, we're at almost 105, 105% right now so I think people should start thinking that with rates going up, the debt or the interest payment allocated in the budget will have to increase and maybe to revisit downward growth projections so I'm very skeptical about the debt and how this will affect the road prospect going forward.

Mike Alkin: It's interesting. I saw something the other day, I was looking at the, I was reading something about the pensions in the US, which normally have a 60, 40% allocation, 60% fixed income, 40% equity. That's now flipped on upside down. It's now 60% equity and 40% fixed income. They needed to because of the actuarial assumptions they needed to get higher returns and here they are ... I don't even know how many hundreds of billions of dollars are invested in pensions throughout the US but here they are, they've strayed from their normal conservative course and now have gone into the equity markets just as we're seeing equity markets start to come turbulent which is [crosstalk 00:54:38] ...

Jean-Francois R.: But we're talking about the debt among the governments. One thing that also investors should be preoccupied by is the debt among the corporations. They have, right now, similar or a little bit higher that we saw in 2008 so it's above 45% debt to GDP, which is huge, and keep in mind, 40% of the corporation, debt corporations are floating, so with rates going up, interest payment will increase. Well, dividend may be at the top right now because the dividend will eliminate, I think, the prospect of earnings growth because of the payment of the interest going up.

Mike Alkin: When you think about the, since the end of the global financial crisis what companies have done, it's been very difficult to get revenue growth from them, so what they've done is in the early part of the recovery they cut as much expenses out of their business as they could, and then, they went on a major, because interest rates were so low, they went out and borrowed a lot of money, which is fine. Those who could afford it they borrowed money at low-interest rates and with those interest rates with that cash from the borrowings, they went out and bought a lot of stock back and they've been doing that hand over fist for a year now, and when you buy back stock it shrinks the number of shares outstanding, which increases your earnings per share, all things equal.

But what we've seen throughout history is the buybacks are most active at the top and least active at the bottom when the corporation's don't have the money. Somebody was telling me the other day that one of the major investment banks at their corporation buyback desk it was the second most active trading day ever so we're seeing a lot of that in the face of rising interest rates and like you said, a lot of them have floating rates so if interest rates go up, as they are, it cost companies more to borrow money so they [crosstalk 00:57:10] ...

Jean-Francois R.: Do you know how much they raised in terms of high yield during the last seven, eight years?

Mike Alkin: No.

Jean-Francois R.: They've raised 7 trillion and out of that 7 trillion, 95% was for share buyback, so only 5% for capital expenditures. Basically, they haven't invested in production. They haven't invented in expanding the production level. Basically, you're absolutely right, they have bought back their shares, reduce the number of shares outstanding and when you look at the earnings per share, you don't have their real numbers in terms of earnings or revenue progression.

Basically, this is something that is also very scary, and for me, it's clear, market is way over valued and that's why you have to expect that we may see a sector rotation, a sector rotation out of paper assets into hard assets, real assets, and that's why we're talking about gold, that's why we're talking about commodities, copper, nickel, zinc, cobalt, lithium these assets are way undervalued versus the equity markets because there's a chart that I follow quite closely is the Goldman Sachs commodity index over the S&P 500.

You have like is the commodity index overvalued or not versus the S&P 500 or both being at extreme valuation. Right now, we're at the bottom, at the trough for commodity valuations versus paper assets, which suggest me that we should take some money out of typical investments S&P 500 and allocate some percentage, 5, 10, 15% to commodities, and I think the timing is great because what fueled normally commodities as a whole is inflation and inflation is in place., and at the same moment, we have a very, very rich market, very, very high valuations so that's why I think the timing of moving assets here is extraordinary.

It's actually, you know what? I read a few weeks ago, Goldman Sachs strategist saying that it's opportunity that to invest in commodities that only happen in decades. Basically, we have to take advantage of the current situation and move assets. The equity markets corrections that we've seen lately is only beginning, volatility will increase, and that's why I think we have to be [inaudible 01:00:23] by the current valuations of the market.

Mike Alkin: It's fascinating that you were mentioning a few minutes ago about $7 trillion and only 5% of that has gone into capital expenditures and it's a segue into what I wanted to start talking about in gold. Gold, when I think of the gold cycles it's almost like a rinse and repeat washing cycle for me. In tough times, market people search out gold and vice versa. It's a hedge against sovereign decline. It's a hedge against financial failure, inflation, market uncertainty, and so, you're starting to see that now and if you look back at the history in the 70s, you had stagflation.

The markets were down and you had inflation and you had a, the Fed had to raise interest rates to fight inflation and you had this massive bull market in gold. Then, you look it from the 80s to 2000, you had a big equity run and you saw gold languish for all that time period, and then, post 9/11, Bush went on a big spending spree and Obama continued the spending spree and the equity market just kind of languished and gold went from I think it was 250 bucks an ounce up to about what, 1900 or so when it topped out and it's sitting around 1350 now.

Here we are again running into a period of uncertainty and gold is sitting 600 some-odd points off its most recent high, but when we talk about lack of spending so you have a macroeconomic backdrop that makes gold interesting right here but we also have an industry where you've seen a tremendous, tremendous reduction in capital spending and looking for gold. Can you talk about the supply-demand dynamic in the yellow metal?

Jean-Francois R.: Before that, I just want to add one point. We have right now the same conditions that we had in the 70s because you mentioned the 70s with the great bull market, stagflation, no growth, inflation picking up, inflation was running faster than rates. I think we're going to see the same thing. If you look at the output per hour, which is an indication of productivity gain. The output per hours is flat so basically talking about growth, I think we have limited growth here and what we have is inflation picking up even though the rates are going up.

I think the inflation will go faster than the rates and that's the reason why you have negative interest rates right now. Similar to the 70 so that's why I'm extremely bullish the word gold and commodities as a whole because we have negative interest rates. Going back to your question, right now ballpark you have what? 3.3, 3.4 tons of ... Well, 3300 tons of gold production per annum, which is roughly speaking 95 million ounces of gold production. That was in 2015.

Now, what I see because of that bear market in gold between 2012 and 2015, gold companies didn't have access to capital but by not having access to capital they could bring new project in place. They could go for exploration and replace production. What I see right now is assets going down, they don't replace assets because of what I just mentioned, and over and above that, demand for the yellow metal is picking up 2, 3, 4% per annum so the production level is going down 3, 4% per annum from 2015 and expect by 2021, '22, the total gold production to sit around 75 million ounces, which is a big drop versus 2015.

If a company find a deposit let's say in 2018, it may take 7 to 10 years before that deposit is in production. As you mentioned in your introduction, the big deposit, so the one ... Well, not the one but the 5 to 10 million ounces, forget about it. I think the last we had such discovery its decades ago. We have want one to two million ounces gold deposit but very low grade.

Mike Alkin: Well, that's it. The grades have gone down quite a bit over the years, haven't they as well?

Jean-Francois R.: Big-time. Now, as you mentioned it's one [inaudible 01:05:29] return so it's very, very limited in terms of new supply coming in and with US dollar going down you have like buying power for investors to buy gold because you have inverse relation between US dollar and gold. Basically, the conditions for commodities are in place and for the producers to bring new project in place in production is very limited and you know that gold projects or gold mining assets are in random places so it's very, very scary.

Mike Alkin: What do you make of during the recent market downturn, gold has sold in around a 1330, 50 level in that period and during the market downturn recently it did okay, it held strong but the miners have just not been doing well. That GDX, the gold miner's index has really struggled. What do you make of that?

Jean-Francois R.: The ATF sector did extremely well in the miners in 2016. Actually, the first part of 2016 between January and July the GDX was up something like 150% in 6 months so we had huge capital flow going into the miner's gold, precious metals, and base metals as well. Basically, a lot of interest but remember like August, September was right before the US election and all of a sudden Trump started to gain attention and the polls, even though they were not, I'd say favorable, the markets is always that good saying, "I'm better than the poll."

All a sudden, we saw a switch because people were saying, "Well, if Trump is elected he's going to stimulate the economy." He's talking about the tax plan, he's stocking about growth and all of a sudden, people started to switch out of mining stocks into technology stocks. That was the end of the ride, six months big ride so basically we had the year with like 2016 with more than 50% performance but the second part of 2016 was not good. We saw ETF redemption and when you have redemption they need to sell the position. They sell position and now it's like a spiral, negative spiral because the ETF had to deleverage their positions.

Mike Alkin: They have less shares out essentially?

Jean-Francois R.: Yeah. Less shares out.

Mike Alkin: Less shares. I was listening to a podcast last night that Fred Hickey was being interviewed on. He's the high tech strategist and been around for 30 years and very smart guy. I think he said the number had declined from 510 million shares in March of 2017 down to 310 million shares in the ...

Jean-Francois R.: [inaudible 01:08:48]?

Mike Alkin: Yeah. In the ETF.

Jean-Francois R.: That's exactly what I see. The ETF did hit the market, the mining market quite badly, however, I really believe that investors will come back. When you look at valuations, it doesn't make sense and on the long-term to stay at this level. I've been following that sector for quite a while now and I have similar views as Fred Hickey regarding ETF's, but I have similar views of regarding valuations. It doesn't make sense to keep this current valuation for the miners.

You know what? Since 2015 the all in sustaining costs has dropped from 1300 per ounce to $1000 per month ounce. Basically, you have cost going down, you have companies trading like 0.6, 0.7 times price net asset value trading at 3, 4 times price to cash flow, 10, 12 times price earnings. Basically, those valuations don't stay there for a long time so I expect what happened in 2016 to come back. It's a very small market and the mining sector is a very, very small market and what I teach, the entire market, it's a drop in the ocean, talking about $300 billion.

Basically, when people realize that the market is trading at very rich multiples and they need to diversify and that will add then after a few corrections. Now, all of a sudden people realize that there's a value sector in place that is the gold sector, the gold mining shares, money will flow to that sector. That I think will maybe start a new bull market.

Mike Alkin: Well, Fred made an interesting point when I was listening to the podcast last night, he said back in 2012 when the GDX was at $45, the GDX being the ETF. The all-in sustaining cost to pull it out of the ground was $490. It's now well below that and we have the GDX at $21, right? You have, your cost go down but the ETF has been cut by more than half.

Jean-Francois R.: I read something very interesting the other day. One of the sector among S&P 500 becomes more than 20% of the total S&P. You have like a bubble in place and right now the technology sector represent more than 20%.

Mike Alkin: Valuations are astronomical.

Jean-Francois R.: Exactly. Basically, every time you have like a bubble building in place and you have the S&P more than 20% in a sector, you have to start maybe reducing your exposure and reallocate assets elsewhere.

Mike Alkin: If investors who are listening to the podcast or individual investors and they want to rotate out of maybe they own some tech stocks and they want to rotate into gold stocks, you want to share a few ideas with us?

Jean-Francois R.: Yeah. Well, let's get started with ETF. You mentioned the gold ETF GLD, the SPDR gold shares, 25 billion asset so it's a great proxy for those who can't buy the single lanes or don't understand or don't fall in the sector wants to be prudent so the best one, in my own opinion, is the GLD. Those who wants to have exposure to the base metal, you have [inaudible 01:13:02] shares DB base metal. The ticker is DB and B so zinc, copper, aluminum, et cetera so it's more base metal.

My view regarding gold extremely bullish. I think that gold is going back to $2000 within 2 to 3 years. The shares will outperform because when I do the relationship between or the ratio I should say between gold mining shares over gold, we have the ratio at the trough over 30 years. Basically, from where it is right now, it's difficult for the listeners to have an image of that ratio but I've seen, your level but now from where it is right now to a level that will start maybe raise some concerns in terms of valuations in a few years, in my own opinion there's maybe 2, 3000% upside from this level and I'm extremely confident by saying that.

Companies are making money these days. They are generating positive return and nobody is paying attention. Eventually, money will go there with limited supply of stocks. You will have like a major uptick in that sector. Talking about specific names. I like, I have to say that I have those names in my portfolio.

Mike Alkin: Full disclosure. Yeah.

Jean-Francois R.: For disclosure, one of the name that I really like. It's a small gold producer. We're talking about 340 million market cap, 340 million US, I should say, trading at [inaudible 01:14:58] times price net asset value, 12 times earnings, 5 times price to cash flow, 3.6 times [inaudible 01:15:08] EBITDA with declining capex, which is for me very good.

Mike Alkin: Let me ... Just for those listeners, for those metrics who may not be familiar with those so you mentioned EBITDA, which is earnings before interest, taxes, depreciation, amortization, which is cash flow, right?

Jean-Francois R.: Which is cash flow.

Mike Alkin: Which is cash flow so they're generating cash. We have a cash flow positive company. That's to start with, right? Okay? They're not money losing and you mentioned PE, right? They're making money and they have and they're generating cash.

Jean-Francois R.: Well, they're generating cash, making earnings. Mike, if you take the all-in sustaining cost in 2018 of $1001 going to $600 next year with a new production mine starting this year. Company has no debt with 37 million cash on their balance sheet. The name of the company is Argonaut Gold [inaudible 01:16:11] AR. For me, it's what I like and what my strategy among like, for my portfolio is very clear. I have the big names, but very, very small like as a percentage of the front represent only 15 to 20%.

What I like right now it's the 100 to the 300 thousand ounces of gold production per annum. These companies will be targeted by the big companies. The reason is because you have the [inaudible 01:16:49], the Goldcorp, these companies have limited growth as I mentioned between 2015 and, excuse me. 2012 to 2015, companies didn't have access because, access to capital because they were not making earnings and capex was going on. Capex growing up, the market did hit very badly the producers because, in that time of high gold prices and silver prices, companies were not making money because they were increasing capex, trying to put new production in place, increasing exploration so and so forth.

Basically, the market it will penalize the sector. I think the sector and the companies understood the message so these topics for putting money in exploration, they stopped projects that were not delivering sufficient internal rate of return so that's why you have right now a declining production among the industry. Now, you have like little nice companies with growth profile in place and these companies will, in my own opinion, be taken over by the majors because they have been penalized by the market by now not showing growth. Basically, they need to go back again and start the cycle by making acquisition

Those companies like Argonaut Gold trading at 0.69 price to net asset value is a great, great takeover candidate because they have multiple deposit, they're going to produce close to 200,000 ounces this year and they have no debt and cash on their balance sheet, trading at all multiples. This is a real nice jewel that I have in my gold portfolio. Another name that I have that has been penalized by the market is El Dorado Gold, ELD, the thicker. It's a little bit bigger. We're talking about 860 million US market cap, but trading at 4 times price through to net asset value with net cash of 42 million on the balance sheet.

You see these companies, then let's say the one billion and less don't have debt, they have cash. Basically, they are quite attractive in terms of valuation. Price, cash flow, El Dorado was trading at five times so it's ... All-in sustaining costs going down from 1000 in 2018 to $800 in 2019. You see from current gold price level these companies are making money.

Mike Alkin: Francois, so you are not trading at 0.63 times NAB and El Dorado at 0.4 and low multiples of cash flow at this point in the cycle. When the cycle turns and the majors come into the space and they start looking for companies like this, what are mid-cycle multiples that these stocks would trade at and how do you think about when you're trying to ascribe what you think they're worth, how do you, what's your calculus in that?

Jean-Francois R.: Well, it's easy. I've seen price net asset value going to three times in a cycle sometimes a little bit more but let's say you use three times, three times it's what? Six times the current level. That's why I think we're going to see now a major rally in that sector down the road because the upside is enormous. You know what? I like to look at the downside versus the upside ...

Mike Alkin: Risk/reward, I preach it all the time.

Jean-Francois R.: Yeah. The risk/reward, for me, my risk to be honest with you, is time, and time will play for us so I think that it's a question of time that before [crosstalk 01:21:10] ...

Mike Alkin: I call it time arbitrage. If you have [crosstalk 01:21:13] ...

Jean-Francois R.: Exactly.

Mike Alkin: ... right? If you're having [crosstalk 01:21:15] ...

Jean-Francois R.: Exactly. Exactly, so basically, it's money sitting there and these stocks have been already penalized by the market. Vicious bear market between 2012 and 2015. Those stocks went down more than 70%. Now, you can get these stocks for almost nothing. You know what? Most of them are trading for the price of an option. Basically, with no time limit.

Basically, you can buy and acquire companies and wait, put it aside, close your eyes and wait for the inflation to pick up and to deliver what I think will happen and all of a sudden these stocks will do what they have to do because it cycles. I'm extremely, extremely bullish. I can't say more than that because we have manipulated market by the Fed for many years. Now, the medicine has been stopped in 2016. Now, the market will face their reality and the reality is that their growth will slow down and that all of a sudden you have flat grow with inflation and that inflation will fuel commodities.

Another name that I like, it's a real spec here. It's a small [crosstalk 01:22:52] ...

Mike Alkin: By spec, you're saying very speculative?

Jean-Francois R.: Very speculative.

Mike Alkin: Right, which I ... Just for listeners so were the other two just because they're smaller gold mining juniors just so listeners know all of these companies are speculative but there's different degrees of speculation I guess, right?

Jean-Francois R.: My [inaudible 01:23:10] on vehicle, electric vehicles. I really like that trend. I really like what's going on in that sector and that sector will play extremely well for the base metals. I'm talking about copper as I mentioned earlier. The demand for copper will double between now and 2015. Lithium, hydroxide lithium there aren't enough lithium out there to supply current production and the demand for electric cars are only but going up and when I say going up, I'm talking about huge numbers here.

Basically, all the auto manufacturers are moving away from conventional gasoline engines going to electric vehicles. Basically, I'll give you an example. Volkswagen is projecting to produce 2.5 million electric cars by 2025 and right now the lithium production, the total lithium production is roughly at 100,000 tons of hydroxide lithium, which is the quality grade for battery for electric cars but by 2025 the demand will increase by close to 40% per annum. 2.5 million cars is the equivalent of close to 150,000 tons of lithium so which is more than the current production only for one manufacturer so that's why you have copper going up big-time one of the reason.

You have also graphite going up. You'll have lithium prices going up, you'll have cobalt price going up so I have a little speculative player called ABE Resources that will change name shortly for vision lithium, but that company is owned by the largest lithium, actually majority owned by a major lithium player in Quebec called Nemaska Lithium. Nemaska Lithium is a 400 million market cap lithium play here in Quebec. That company is about to have a huge financing coming very shortly before the end of the first quarter and that will put a lot of this on lithium plays in Quebec.

Anyhow ABE Resources they have lithium play in Quebec. They bought from Nemaska and in the transaction, ABE Resources sold 19.9% or exchanges shares with Nemaska. Nemaska is the major shareholder of ABE Resources and they have also a very good interesting copper play as well with the lithium deposit. Basically, that company is doing a 30 million US market cap comparables are more than $100 million market cap.

Basically, you have upside on that front. Now, the company is drilling at [inaudible 01:26:48] their lithium deposit and I expect the company to deliver very solid results because they're drilling in very rich zone that was drilled earlier by Nemaska four or five years ago. Basically, expect very good results and also over and above that they have copper as well. The copper play could be also very, very interesting for that little company so the stock is in very good hands. Nemaska own 19.9% by [inaudible 01:27:24] own a small position, but it's a nice position. I think that we could see very good results, and as I mentioned comparables are trading at much higher valuations.

Mike Alkin: When we think about risk/reward, we mentioned, you mentioned the risk is time. For your whole thesis though, for your thesis of base metals and gold and everything rising where we are now, what, where could you be wrong?

Jean-Francois R.: Well, inflation. Inflation not picking up or we see inflation in all the certain, it's ... We see a plateau or numbers are not sustainable. It's my only concern right now is my false start but, no. I don't believe that it will happen but if it's, if you're asking me, what's my biggest concern? I will say a false start in inflation. That's my only concern but it's not a big concern, to be honest with you. I think inflation is there.

Everything is in place. Mining valuation companies are the trough, S&P 500 starts are at the highest level ever, almost. The only time I think it was during the I-tech bubble in 2000. Basically, inflation is picking up. The fiscal plan in the US timely for my sector for that asset is great, maybe for the rest of the economy, I'm not sure. However, I think we'll see great results in that sector going forward.

Mike Alkin: Francois, I can't thank you enough for your time. If people want to learn more about Tundra or get in touch with you, how do they do that?

Jean-Francois R.: Well, I'm on Twitter. I'm J-F-R-U-E-L 1962. I'm quite active on Twitter and once, again, thank you very much, Mike, for having me today.

Mike Alkin: My pleasure. I appreciate your time and we'll speak soon. Thank you, Francois.

Jean-Francois R.: Thank you very much.

Mike Alkin: Okay. Cheers. Bye-bye. I hope you enjoyed listening to Francois. He's a very interesting guy, very knowledgeable about the gold space and today, I thought it'd be interesting to get a perspective on, we talk about mining, you've heard Bitcoin mining, cryptos so but I wanted to talk about some of the sectors that really people have an interest in and it's crypto is a big deal and I wanted to, and when I had Frank on, I wanted to pick his brain a little bit about gold and I wanted to give you an institutional perspective on gold from Francois.

Instead of an educational segment today, I did two interviews. We did Frank and we did Francois. I hope you enjoyed them both and I will be back next Monday, and I look forward to speaking with you. I think you're going to look forward to hearing the guests I have in store. Have a great week and thanks for joining.

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