



Daily Roundup

# FANG-MAN T: The New Juggernauts

June 6

With backgrounds in fund investment, NASDAQ-listed CFO, and investment banking on our research team, we are aware of certain inefficiencies that are inevitable within the capital markets.

With Mad Money's Jim Cramer coining the term FANG stocks as the four horsemen stocks that have currently taken over the market and become the giant behemoths that dictate existing price growth in the stock market, we believe there are four more candidates that belong in that same tier, as we breakdown why these monsters have become safe havens for money despite the high stock price. These original FANG stocks include F for Facebook, Inc. (FB, \$152.81), A for Amazon.com, Inc. (AMZN, \$1,003.00), N for Netflix (NFLX, \$165.17), and G for Google aka Alphabet Inc. (GOOG, \$976.57). As mentioned in an earlier note, these four stocks encompass an aggregate of \$1.69T in aggregate market cap, which is a ridiculously large amount for only four individual names.

While we also believe in these four big movers in the market, we would include another A for Apple Inc. (AAPL, \$154.45), N for Nvidia Corporation (NVDA, \$147.34), and M for Microsoft Corporation (MSFT, \$72.52) for the anagram **FANG-MAN** for a total of \$3.15T in total market cap, as also essential components for this evolving portfolio. We certainly believe Apple and Microsoft belong in group for their consistent and growing leadership in the consumer and enterprise software market, and Nvidia, is quickly building their strategic position in the chip market, taking leadership from the traditional monopolist Intel Corporation (INTC, \$36.13) and Advanced Micro Devices (AMD, \$12.02). An optional 8<sup>th</sup> member of the group is Tesla, Inc. (TSLA, \$352.85)

fits the bill as a leader in transportation and new energy industry currently.

## Why Investors are Fleeing to These 8 Juggernauts

- **Go where the growth is. Give me what you are going to be doing in the future.** We surmise that the investing public nowadays is much more based on future projections and has gone beyond the '80's Janet Jackson sentiment of 'What have you done for me lately?' to the tones of an expectant suitor in hopes of finding an eligible bachelor, 'What will you do for me after we have 2.5 kids?'. We believe investors are locked in on the leaders of the next revolution, those companies that have shown both vision and execution in overthrowing the status quo establishing a paradigm shift in a singular strategic arena and then influencing adjacent industries. Those are the companies that have survived in the narrowing down the list of the most impactful global companies during the recent market run up.

- **Higher valuations but cheap relative to growth rate compared with rest of the world.** While by traditional static valuation standards the pricing on these companies can look very expensive, if you compare the growth rates of these companies and the potential to own important strategic junctures in industry beyond current revenue streams, these companies can look cheap. It is no coincidence that all eight companies are more-or-less technology companies diversifying themselves in different manners to affect other sectors. Thus, from mining to financials to consumer retail or packaged goods, the gains and growth in every industry has been those leaders that can redefine that specific industry with better efficiency through technology and better consumer interaction with the new tech.

- **The Flight to Technology Safety.** While you can ask the question, 'why doesn't every sector have a new representative in this new order of giant companies?' The major factor is that certain players sit at more optimal positions within the changing





landscape to take advantage of the evolving landscape. These players own the ecosystem they have created themselves and thus, the traditional flight to earnings or flight to safety has left the modern investors with a flight to 'technology' or 'strategic' safety. We believe that as our world continues to evolve, this will be more so the case and perhaps as the first generation moved beyond P/E ratio to a PEG ratio to incorporate growth, the next generation may incorporate growth plus strategic positioning in a more useful metric to quantify the excess in valuation that should be awarded a firm.

- **The DOW 50 Giants narrows down to eight stocks that make an impact on the world.** Has the world now be narrowed even further down to eight firms that control the destiny of the future? Not so long ago, the Dow 50 Giants were thought to be an already narrow subsection of the entire capitalistic landscape, and in classic Joseph Schumpeter-ian fashion, that elite class has gotten even smaller. We believe this will continue to hold true with less or limited government intervention. As Microsoft did a

generation ago, companies with resources from breakthrough products, eventually maneuver to control those intersections that will affect the most change in adjacent industries. And thus, the field narrows, like a giant game of playground Wolfpack.

**Price clarity on these companies will become a moving target based on strategic positioning strength and adjacent industry influence**, in our view, because in the end, that will be what determines price sensitivity and ability to customers to find suitable replacements and substitutes. In the future, customers will continue to be offered what they want in a variety of different offerings, but those offerings will pass through the strategic checkpoints garnered by these juggernauts. Without the hall pass, the other industries will struggle to grow via technology which will stunt their growth versus their direct competitors, which allows these gatekeepers to take their pound of flesh.

Table I-1

**The New  
Juggernauts 8 aka  
FANG MAN T**

	<b>Market Cap (\$ Billions)</b>	<b>Industry</b>	<b>Secondary Player</b>
Facebook, Inc	\$442.87	<i>Social Media</i>	Snapchat
Amazon.com, Inc.	\$497.41	<i>E-commerce/ All Retail</i>	Walmart
Netflix, Inc.	\$71.19	<i>Media and Content</i>	Cable Companies
Google aka Alphabet, Inc.	\$682.24	<i>Internet Technology</i>	?
<b>Sub-total</b>	<b>\$1,693.71</b>		
Microsoft Corporation	\$559.89	<i>Enterprise Software</i>	?
Apple, Inc.	\$805.28	<i>Consumer Electronics</i>	Samsung
Nvidia Corporation	\$87.67	<i>Chips</i>	Intel
<b>Sub-total</b>	<b>\$1,452.84</b>		
Tesla, Inc.	\$57.96	<i>Transportation and New Energy</i>	Ford, GM
<b>Total</b>	<b>\$3,204.51</b>		

Source: KWCP Research