[00:00:00] Rodrigo Gordillo: All right, ladies and gentlemen, welcome to another podcast of the ReSolve Riffs podcast. But today is a very special day for Christmas, and for the holiday season. We are joined with fellow quants and holiday enthusiasts with amazing gear on tonight. I got to say, gentlemen, well done. I got to my, to my left, I got Wes Gray, from Alpha Architect, Meb Faber from Cambria and, Corey Hoffstein from Newfound Research and Return Stacked Portfolio Solutions. Welcome gentlemen. Thank you for hopping in. What up? How you doing?

[00:00:39] Corey Hoffstein: I feel like I got to do the Brady Bunch thing. Am I turning the right way?

[00:00:44] Rodrigo Gordillo: That's right. Squares.

[00:00:46] Corey Hoffstein: Yeah.

[00:00:47] Rodrigo Gordillo: So how's everybody doing today? Feeling good about the holidays? Feeling good about the year?

[00:00:52] Corey Hoffstein: Absolutely. I was talking to Wes earlier about celebrating with some coquito. I was hoping he might send me up some from Puerto Rico. All right, take eggs on and dial it to a way better level.

[00:01:08] Wes Gray: Yeah, coconut cream and alcohol and all kinds of goodness.

[00:01:14] Meb Faber: I don't know. When I was hanging out with Wes in Puerto Rico, there's a good picture of us you guys can find online. We're drinking some really delicious pink drinks. You remember those? What were those? Same thing. Everything's got rum probably.

[00:01:24] Wes Gray: Yeah. I can't remember. It might've been passion fruit mojitos. I can't even, they got everything down here. They like drinking.

[00:01:35] Rodrigo Gordillo: Yeah. So most of us are, celebrating. I guess everybody here, that didn't have a white Christmas at all. Yeah. We're just sweating our balls off.

[00:01:42] Meb Faber: I'm heading to Colorado, so at least I'll get some snow, but I'm in L.A. It feels very strange to me. I'm wearing, I won my sweater, listeners, you can see, this is a, there's some velcro balls you can throw on this. I won this in *a white elephant ugly sweater* last year.

So it's a beer pong sweater, which I probably haven't played in 20 years, but I still think I could beat all of you. I was going to try to wear my wife's sweater, she won, which was boats and ho's, but it was a little small. It would have been very tight on me. This one, came out of the closet.

[00:02:20] Rodrigo Gordillo: All right. why don't we just go through the agenda for today? We thought that we'd make it a little fun, a little playful. It's always fun to see how quants squirm when you ask them to give you twelve investment ideas. But the goal here is every one of us is going to have three of them. We're going to go around the horn and see what our thoughts are for 2025 and beyond.

And given that Meb, you were the predecessor of the idea, why don't you start? We start with you. What is your first thought?

[00:02:48] Meb Faber: Yeah. All right. so I want to caveat this with, this is all investment advice from Wes, Rod, and Corey, but for me, it's not. I'm in these to be a little far afield, so hopefully the listeners… Look, you got your base case allocation. You're just looking for that sweet *alpha juice*. You're looking for something a little different. I'm going to start with something that is super far afield. It is a universally hated investment. When I wrote my first book a long time ago called the IV portfolio, we profiled an idea in there.

So I'm a trend follower at heart, but like Wes, I'm, I still got that soft spot, that funny-bone for the downtrodden, the hated investments, the cigar butts out there. And so we did a study that looked at, and this is not exactly the most sophisticated study, but we were looking at *down years in a row*, the thesis being is that by the time that something goes down a bunch of years in a row, everyone's pissed off. They hate it. They've sold, they've moved on. I can't take any more. I don't want it. And on an asset class level, like S&P level, usually you don't see something go down more than three years in a row.

That's super rare, on a sector level. You may get four or five, and on an industry level, I think when I looked at the French-Fama data, the record was coal stocks twice, at six years in a row. And so for the past 10 years, we'll do a Twitter, an X where at the end of the year, I'll be like, *this is why you should ask Santa for coal*, and then put these stocks in your stocking because coal stocks were down six years in a row over the past decade.

It's mostly been commodity-type of equities. Uranium was in there for a long time. Those type of investments. Some foreign equity markets. This year, it is cannabis. Cannabis is down 7 years in a

row, universally hated. And there's also, we did a similar study that said, what if you buy things that are down like 80, 90 percent and historically, if you close your eyes, hold your nose, hold it for a few years, usually it's a pretty good investment.

So we have a fund that does this. There's technically no management fee currently because it's so small, so we think it's a really interesting eposure. I've personally been buying it. I probably will buy some more, and I love to see when I posted this idea on Twitter, everyone hated it. Not, a single person was like, good idea. They're like, you're stupid. That's my first one, that is extremely, by the way, part of that strategy and part of that idea is the long forgotten tobacco stocks, which have been on a face ripper this year. I think tobacco index is up like 40%, one of the best performing markets in the entire world this year.

So idea one, cannabis stocks, cannabis ETF, preferably, and preferably ours.

[00:05:56] Rodrigo Gordillo: All right. I love that. And my compliance department thanks you for reminding me to say that this is not investment advice, that everybody needs to talk to their advisor, and that these are just fun ideas to throw around, and we're, we barely know what we're talking about most of the time. So with that, let's, move it over to Corey. Corey, give me a glimpse of what you were going to talk about. And I can't wait for you to say this live.

[00:06:18] Corey Hoffstein: Yeah, I'm going to, I'm going to go the exact opposite side of what Meb is saying, of the downtrodden. I'm going to go with what is on fire right now, and say let's load up on a little bit of Bitcoin and Ethereum, maybe the top 10 cryptocurrencies, add that dash of hot sauce to your portfolio.

I am a true believer. I'm going to steal a phrase from my good friend, Dave Nadig, that these are just pure psychological commodities. By the way, this is a great way to piss off everyone in cryptocurrency, right? But I truly believe that gold and **Bitcoin** especially are these psychological commodities that have fundamentals that are not based on any true fundamental.

They're based on a shared belief that these things will have, and continue to have value, and the more Bitcoin goes up, the more that remains established. I think a hundred thousand is a meaningful psychological level, and I think you have an immediate catalyst for a regulatory regime change with the Trump administration, that is hopefully going to unlock ease of access of crypto trading, within the U.S., and is also going to turn on the fee switch for a lot of DeFi protocols, which will suddenly

allow a lot of these tokens to actually have cashflow associated with them, in one way or another. And so I think you are going to continue to see a proliferation.

I also think that gambling is just inherent to a lot of people, and a lot of people would rather gamble on cryptocurrency than sports books, so I think you're just going to see continued interest here. Look, at the end of the day, when there are no fundamentals, it's all supply and demand.

Blackrock is starting to try to say everyone should have three to five percent, preferably in their Bitcoin ETF. That is a whole mega-unlock of supply, excuse me, demand. And as all these broker/dealers continue to come online and add Bitcoin and Ethereum and Solana and Polkadot and every single cryptocurrency ETF, bring them to market, and start approving them. Advisors are going to start adding dashes. And again, without fundamentals, it's just pure supply and demand. And so I think it's still possible to see Bitcoin over the next 10 years become gold, which in market cap basis is like another 10X. So I will say full disclosure….

[00:08:35] Rodrigo Gordillo: We lost half the audience, by the way, at this point. Corey, this is not a serious discussion…

[00:08:40] Corey Hoffstein: … but full disclosure, I own three to 5 percent of my portfolio in various cryptocurrencies. And I also advise a cryptocurrency hedge fund.

[00:08:49] Meb Faber: Corey, did you see my super scientific study we posted at the beginning of November, which was called *the really annoying Thanksgiving member study*, which was, if you went back to Bitcoin's origins and said, was Bitcoin up on the year through the end of November, and if it was, with the theory being that your annoying crypto relative is going to be at Thanksgiving, and he's not going to shut up about how smart he is and how you need to buy Bitcoin. And when it's up, he's even more motivated to be like, I told you to buy it. I told you to buy it. And so on average, Bitcoin, when it's up through November and December, it did 15 percent per year. When it was down through November, it was negative 9%. December more than likely going to have some good returns.

[00:09:39] Rodrigo Gordillo: Good seasonality there. I like that. Yeah. All right, I'm going to take the next one. Wes, normally, as a good host, you would go next, but given that we're talking about Bitcoin and gold, I put some charts together that I found fascinating.

We find ourselves in a time when we're really worried about inflation, right, and the argument for gold being a reserve currency has always been there. It has shown to be a pretty decent asset class to own when there's currency debasement. It's inversely correlated to the real return of the U.S. dollar, and yet we have this kind of Bitcoin coming in and playing a part, and you can see here in this chart, just the yearly returns of gold versus Bitcoin from 2018 on. Because before 2018, it was a little silly, not that it's not silly today.

And what's interesting about this chart is that, when you think about what you want to invest in, the difference from 2018 to now is, you get double the return from Bitcoin, right, and the volatility of gold is basically non-existent. Obviously it's helped, but not as much as Bitcoin, if indeed it is the same type of risk. But what if we were to match the risk of Bitcoin by levering up gold. You guys see the chart now, having to go back and forth here? You guys see that chart?

So what's interesting here now is that when you scale gold to the same level of volatility to Bitcoin, you actually outperform Bitcoin since 2018. And also, on a year-to-year basis, like the drift of these asset classes seem to be quite similar, responding to similar things. And a lot of people are fighting whether they believe Bitcoin's the new way to preserve the purchasing power, if it's going to be gold.

And of course, I always like to say that you're better off owning both. But if you own both in equal risk, there's something magical that happens. We need an 80 percent vol gold fund.

[00:11:44] Meb Faber: How much leverage is that like, a 3X?

[00:11:47] Rodrigo Gordillo: So if you just want to lever gold to that point, it's 5.7x, okay. But you can do that easily with a futures contract.

[00:11:53] Meb Faber: By the way, fun stat, listeners, no one believes this. You can go try it yourself, last hundred years, last 50 years. The famous 60/40 portfolio. You can take out bonds and sub in gold and it makes no difference. Is that an astonishing stat? Like, that to me was one of the craziest things. I saw Elliot talk about that.

[00:12:15] Rodrigo Gordillo: Yeah. Yeah.

[00:12:15] Meb Faber: It's crazy. Anyway,

[00:12:18] Corey Hoffstein: Did you say 5X on gold?

[00:12:21] Rodrigo Gordillo: Yeah. 5.7X on gold.

[00:12:23] Corey Hoffstein: So you like, probably couldn't actually put this in an ETF, based on the ETF rules.

[00:12:28] Rodrigo Gordillo: I think the, based on you just need to stack it. Yeah.

[00:12:31] Corey Hoffstein: The bar rules, you couldn't…

[00:12:34] Rodrigo Gordillo: What, do you, it depends if your benchmark is Bitcoin and it seems like that's actually true benchmark. Here's, my point is, what's interesting about this, right? So let's see. The question is, a lot of people are should I buy gold, or should buy Bitcoin to protect? What if you buy both and you equal-risk it? Now, of course, the way to do this is actually reduce risk way down, but this is just to show that what's interesting is that they're not perfectly correlated. In fact, the correlation, the daily correlation between Bitcoin and gold is zero. And so by combining them and rebalancing them on a daily basis, the outcome's significantly better on a 50/50 portfolio, but the Sharpe ratio is significantly higher, because of how low their correlation is.

There's a diversification or slash rebalancing premium that comes along with it, that I found very, Bitcoin gold ETF just launched. That's right. Yeah. And so anyway, I just, last slide, just from a visual fun, visual perspective, it's that kind of darkish line that tends to float upward and to the right and better than either because of that rebalancing premium. Isn't that interesting? So that's my big idea for how you would do it.

[00:13:42] Corey Hoffstein: I love how that chart just easily glosses over the 75 percent + drawdowns. Like you look at that chart and you're like, I barely noticed that I lost 75 percent of my money.

[00:13:53] Rodrigo Gordillo: But my last point was going to be, you probably don't want to do what I just showed you. What you actually want to do is have a proportion of something to the effect of 15 percent of Bitcoin and I don't know, 8.5 percent to gold, to have an equal risk allocation to protect against that debasement of the currency or not. I don't know. It depends if you believe that's going to happen. That seems to be a pretty good master. So that's my idea.

[00:14:20] Wes Gray: You want to hear something crazy? I don't know if you can see my little chicken scratch at the bottom. Yeah. BTC gold with trend was one of the things I was going to pitch, but my idea was, like, I was 50 percent Bitcoin, 50 percent gold, and then you just trend-follow that sleeve, with the idea you could do what you talk about, like equal-weight of all, that's fancier than I would do, with the idea that, just what we said, deep inflation risk, but gold, what happens if this quantum computing crap is actually correct? Bitcoin could be worthless. Gold's money good. or maybe people are like, ah, screw gold, I'll just go Bitcoin. So I just thought, so much to launch like a trend following fund that just does Bitcoin/gold or maybe dual momentum. That was weirdly, you guys were talking about it. So that was one of my ideas, but I wasn't going to mention it.

[00:15:10] Rodrigo Gordillo: We're not as unique as we think we were. Oh my God. I got it. Yeah.

[00:15:14] Wes Gray: We're all thinking the same concept, weirdly.

[00:15:19] Rodrigo Gordillo: All right. Meb, what do you got for us? Number two.

[00:15:24] Meb Faber: So if I was to summarize what I think my most non-consensus view is today, other than being positive on cannabis, I think across the institutional world, where there's do what I say, and people talk about like, my struggle with watching TV in our media is always so many people spend 99 percent of the time talking about the diagnosis. Here's what the Fed's going to do. Here's what the market's going to do. I'm like, okay, what do you do about it? What's the prescription?

They're like, nothing. You just rebound, spine hold, whatever. right? So there's one glaring oddity to me, and we launched a fund based on this earlier this year, is the entire fixed income landscape. And from an outsider, historically you have T-bills, and I'm going to use approximate rounded numbers just to be easier. Let's say you've got T-bills at four and a half. Historically, if you got 1030 a year, that's going to yield five and a half, six, whatever. You got corporate bonds. Usually they yield more than T-bills, junk bonds, certainly on and on. The entire curve of fixed income and fixed-income-like investments has a spread based off T-bills.

That's how all of investing should work, and historically for the last like year or so, and currently, almost none of these markets has any spread premium. And so we had written a paper called T-bills and Chill most of the time or something, and launched a fund based on this. But the idea being that you should only own these markets when you're getting, it's like a value expensive stock. Granted, you have some periods like now, where the things that are trading at 50 or a hundred times revenue, but on average, it's a terrible idea and ditto with bonds. Like historically, if you buy junk bonds, or

30 year, when it yields less than T-bills, you underperform T-bills, like, it's a terrible idea. Anyway, it's a strange setup in my mind.

And so one of three things. One, T-bills got to come down a bunch, the yield. Two, the entire curve of risky assets, like, you look at corporate bonds right now, they're like 30 year lows on some of the spreads. That whole curve needs to move up, or both. Now it doesn't have to, it could continue on this way forever, who knows. But it's a very strange situation that oddly, I don't feel like anyone else is talking about.

Maybe you guys hang out in different circles. So to me, it's you want to T-bills and Chill for a while, and despite the big losses we've seen in bonds, potentially, it potentially has further to go.

[00:18:10] Rodrigo Gordillo: So why do you think people keep an allocation to bonds in spite of getting a negative term premium?

[00:18:16] Meb Faber: I think they buck, mentally bucket them differently. And I actually said this last year on Twitter. I said, the long bond was down by like half, and on a real basis, some of these are worse, right? That's not it. That's just nominal. Maybe it's 40 percent somewhere around there. And I was like, can you imagine the S&P is down 50 percent, people be losing their minds. But people, you look at the responses you get, and people are like, yeah, but you're going to get your money back or, and I'm like, but you've literally lost half your money. You know that.

And I think it's like a mental bucketing, So when Corey loses 90 percent on fart coin, like he's *I knew that was a gamble*. *I'm okay with that*. But I think people's bonds, they're like, they don't think about the principle. It's, I'm also a hundred percent convinced at this point that no one understands that dividends are actually not like an extra payment you get. That's been weird with a lot of professional investors. I think they think that some, anyway, I don't know why this situation, it feels very strange to me.

[00:19:27] Rodrigo Gordillo: So how does this play into the, into your first one where you're looking at things that have been really downtrodden to invest in? It seems like bonds is one of them, and I think that's one of the reasons.

[00:19:36] Meb Faber: This is like a deep value Howard Marks approach, where it's only going to move into these 10 categories of bonds, if and when they get to their top third of spread, and then it'll hold them while they're in their top half.

So this strategy historically is mostly invested most of the time, and it's currently a hundred percent in T-bills. There's not a single market that it's invested in, the fixed income entire landscape. There's a couple that are close, but on average, it's just, there's no juice.

[00:20:06] Corey Hoffstein: This is one of those weird head scratchers, right? Because you either have to believe the market is entirely inefficient, right, and you're not getting any term or real credit premium, and the risk is very obvious, and there's some structural reason, or that the reinvestment risk in T-bills is really high for people with longer-dated liabilities.

And I think I saw your tweet Meb, and I retweeted with the comment that look, if you've got a 10-year liability that you want to hedge from an immunization perspective, it might be totally reasonable to buy a 10-year bond to hedge that liability and not take the reinvestment risks on T-bills. But yeah, momentum value carry signals have historically worked quite well in bonds and the carry has been very negative for the last couple of years and continues to be very unappealing.

[00:20:55] Rodrigo Gordillo: Yeah, it's turning around now and we're starting to see some positive, slight positive term premium, but we'll see how that, where that goes. There you go. Three dips today. Three dips for a day. All right, Corey, what do you got for us next?

[00:21:10] Corey Hoffstein: All right, I'm going to stick with the crypto side, but a much more complex trade that is almost certainly going to blow you up. And I suspect this would make me a lot of enemies on Twitter, but maybe on this select call won't make me this many, that many enemies. **MicroStrategy** is absolutely a pyramid scheme.

[00:21:28] Meb Faber: Bingo card. Like we were waiting to 24 minutes. Is it over? There's no way no one mentioned MicroStrategy.

[00:21:37] Corey Hoffstein: MicroStrategy is a hundred percent a pyramid scheme and so I would wait for the, I'm hoping the spread comes back. And then I think you go a short MicroStrategy/long Bitcoin spread trade. You got to make sure you adjust the beta appropriately on that. That said, that is a trade that could absolutely blow you up, because you're probably not going to get whoever you're doing the long/short through the benefit of your Bitcoin for your short. You're not getting offsetting risk there.

And MicroStrategy is one of those stocks that can just become *memefied* and go through the roof. There's zero reason it had a 300 percent premium to NAV other than you had a whole lot of people

who decided to pile into 2X levered products that went from 0 to 10 billion within 2 months. It got wild quickly. I think that was an opportunity to short and capture that spread trade and take out the Bitcoin data that's on the balance sheet, but …

[00:22:42] Rodrigo Gordillo: I've had a few people come back to me with *Tesla went on a run and never came down*, and I'm like, that's one, one thing is there's a big difference here. One's a company and one's a holding company. Yeah, you're not pricing in the fact that I'm going to have billions of robots out and that's just what the market's missing, that, and there's value there that you can't see, versus the other guy saying explicitly, *I'm just a levered Bitcoin thing*, and I'm, what is it? What's the overvaluation here on top of Bitcoin? Like 3X, 4X?

[00:23:12] Corey Hoffstein: It's come back in, I think it's closer to 2X. No, actually, I should have looked right before this call.

[00:23:15] Rodrigo Gordillo: So that's, it's a completely different argument.

[00:23:18] Corey Hoffstein: And I'm not going to say that there isn't a justifiable argument for some premium, because people are trying to get access to Bitcoin who can't get access in their retirement accounts, don't have access to the ETFs. They're using the stock as a proxy because the company is basically just a **Bitcoin** treasury. I totally understand that there might be some argument for a justified premium. Again, I think that'll eventually disappear, but not 300%. That was just pure price chasing insanity. And so I think that is something that will deflate, but on the other hand, could absolutely rip your face off and make the trade go bust. I got to say, convergence trades are the scariest trades, but hey, we're throwing out stocking stuffers.

[00:24:00] Rodrigo Gordillo: You got to keep, you got to keep your eye on it.

[00:24:02] Corey Hoffstein: There's one for you. Love that one.

[00:24:04] Wes Gray: What does it cost to short MSTAR? I don't even know. Is it like, a hundred percent a year?

[00:24:09] Corey Hoffstein: Yeah, it's probably quite high. Yeah.

[00:24:12] Wes Gray: I'm just curious what the rebate is.

[00:24:14] Corey Hoffstein: I should, I, let me see if I can get that for you. I'm going to pull up my Bloomberg. I'll let you know.

[00:24:19] Wes Gray: All right, cool. Yeah, let us know.

[00:24:22] Rodrigo Gordillo: What do you got for us, Wes? It's number two for you.

[00:24:24] Wes Gray: All right. So I got a boring one, and I think a guy's name who rhymes with *Shmeb* should probably launch this. But imagine this, the S&P 500 is at the largest CAPE ratio of all time. And we all know it doesn't predict shit, but let's just pretend it does. What if we had this idea where we said, let's look at the top 500 largest stocks around the world. We're going to equate them. And you can dump a lot of your current assets. You currently have, in non-diver, or things that aren't as diversified and you could tax-free transfer those into this new fund and get a nice equal weight global exposure. I think…

[00:25:07] Meb Faber: So much is like a *351 dream*.

[00:25:10] Wes Gray: It sounds like a…

[00:25:13] Rodrigo Gordillo: You have a diversified, whatever, random diversified portfolio to swap in for?

[00:25:18] Wes Gray: You get a nice equal weight global equity allocation and, and you can do so in a tax-free transition, and you just go international.

[00:25:28] Rodrigo Gordillo: Ex-U.S. you mean?

[00:25:29] Wes Gray: Yeah, you could do, yeah, you could do ex-U.S., or you could do 50/50, but yeah, something ex-U.S. would probably be the most interesting. Or maybe it's a little bit of U.S., a little bit of global. But just see, I don't know, but it seems like S&P's a little bit crazy. It could keep getting crazier, but that just seems like a nice convergence value trade.

[00:25:50] Meb Faber: Does part of you wanted to take out the '99 peak? Like I never thought I would see that in my career, and there's been some craziness. Like, this time it's in some other places like Corey's meme coins. Part of me, actually, I would love to call them Corey's meme coins.

[00:26:07] Corey Hoffstein: What? I don't, these, I don't want to take ownership of these.

[00:26:11] Meb Faber: I was trying to think when you mentioned the top 10 cryptos, if we did one of these like next quarter, and instead we did like a Jeopardy style? I was like, I wonder how many in the top 10 I could name, and I think I'm probably at three, maybe four. I don't think, I don't even know if I'd get 'em right.

[00:26:31] Corey Hoffstein: Top 10 crypto. I bet you could easily name the top seven or eight I bet, of the top 10 probably. If you just said, what are the ones I've heard of? Yeah, that's likely a top 10 coin, right? And that's actually, there was a, there was an old study that said, the tennis players that are most likely to win, or if you go outside Wimbledon and ask people, tennis players, they've heard of those players, the players that are most have been most heard of are most likely to win, obviously. So whatever coins you've heard of are…

[00:27:01] Rodrigo Gordillo: Here's the trivia. What's the fastest coin to have launched and closed down in the history of crypto?

[00:27:11] Wes Gray: That, is it that pep, what about that Pepe coin?

[00:27:15] Rodrigo Gordillo: Oh, that's still around. That's a pretty quick one. That one's flying. Is this still around? I'm guessing here, but I'm pretty sure it's the *Hawk Tuah*.

[00:27:21] Corey Hoffstein: It's not, they've been faster rug pulls than that .

[00:27:24] Rodrigo Gordillo: Oh God. That was pretty quick. It's hilarious. It is, all right, so, on the 351, just a quick question on that. One of the things that I haven't, I've peripherally followed what you guys were doing. When you open something like that up, do you have a limited time or a limited window for people to deliver their securities in kind before you close it down, and it just becomes whatever the prospectus says?

[00:27:49] Wes Gray: So it's a one day, like you have to mark the line and close. For example, we're literally doing this for Meb right now. So it launches on Tuesday, which means you got to have all this shit, everyone aligned, everything rocking and rolling, all at the same time. Now you can collect them and get them all prepped up, get all your ducks in a row ahead of time, but everyone hits that at the same time because it's a, it's basically a way to in-kind seed the launch. But once it's launched, it's done. It's done.

[00:28:18] Rodrigo Gordillo: It's its own ETF, and you buy it for the prospectus.

[00:28:21] Wes Gray: And yeah, now it's just a normal ETF like iShares or Vanguard or anything else. You got it. So it's a one-time opportunity to take advantage of it.

[00:28:32] Rodrigo Gordillo: Love that you guys brought that to market. All right, Meb, what do you got for us?

[00:28:35] Corey Hoffstein: Yeah, wait, first of all, huge congrats. I didn't know that was going live on Tuesday.

[00:28:39] Meb Faber: Yeah, that's amazing. It harkens back to the least, it's probably the least marketable idea we've ever launched, which is saying something. but this was based on an old paper a million years ago, which had a really terrible title. The original title was like, *If You Invest in Dividends, Don't Do That. Do This Instead*. It was like, what a ridiculous title that was. and then we changed it recently to, Is the Best Dividend Strategy to Avoid Them Altogether. I was like, that's a little bit better, but it's basically like a super nerdy tax optimize.

What if, you could get the S&P, or dividend stock return, but without dividends and a taxable account. It's a really fun exercise. I think there's going to be a revolution in tax optimization location the next five years. Obviously, ETFs really help, that. Most of the academic literature doesn't even address the ETF structure, so it's going to be, fun to see that happen. But listeners, if you want to do 351, reach out to Wes, not me. It's a lot of work. It's a lot of work. but, potentially some pretty cool benefits as well.

[00:29:53] Rodrigo Gordillo: That's great. All right. So what do you have?

[00:29:56] Meb Faber: I don't think he's back to me yet.

[00:29:57] Rodrigo Gordillo: Has everyone done two?

[00:29:59] Wes Gray: Rodrigo's got a second one.

[00:30:01] Rodrigo Gordillo: Yeah. Stop skipping. Okay. So let me, you're right. I'm sorry. my second one is, I'm just going to stick to my knitting here. I actually think that I heard a brilliant man recently write a blog post about the bear market and diversification, which I, that was 30 percent ago. Yeah,

which I tend to believe it is, it has been a brutal period of just a single security really making all the returns. And I was looking at this All-Terrain approach that I always talk about, which is, All-Weather tends to be a combination of equities, bonds, and commodities. The All-Terrain is just saying equities, bonds, commodities, plus some sort of managed futures, or trend following, and equal risk.

But then, I, you put that together. Now you're covering the risk of when bonds were in a bear market, along with equities was in bear market, you would have thought that maybe this is the thing that allowed diversification to thrive in the last 10 years. And the answer is still no, right? It's still the S&P 500, even in a 60/40 portfolio, still does it when you scale it to the same volatility as the S&P 500. You still have a Sharpe ratio that's about 15 basis points lower than the estimate, but in the last few years, that is flipped. That has actually gotten significantly better, where we're actually starting to see a higher Sharpe ratio for the diversified approach at the same level of risk, right?

Which we couldn't, the average investor couldn't do that two, three years ago. Now it can be done with Return Stacking, right? The idea that you can lever up pro rata that diversified portfolio. So if you can get the same risk, just like we talked about with gold and Bitcoin, if you can get the same risk as equities in an All-Terrain portfolio by levering it up, I actually think it's likely to do really well. Let's, I think historically, if you go back really far, you're looking at a Sharpe ratio of 0.65, for a simple one. And we know that long-term equities, even U.S. equities, has a Sharpe ratio of 0.3, 0.25, right? So it's just an outlier. It's a 3X outlier for the S&P, and I think we're seeing that, that change, and again, now you can actually capture it at the same level of risk. So it should be fairly exciting over the next decade. So I got…

[00:32:18] Meb Faber: Zero times in history where a country is into the year, and we're not there listeners, so where a country is into the year of the CAPE ratio of 40, and then over the next five or 10 years, returns have been above average. I feel like that's amazingly low odds, but we're not there yet. I'm hoping it does, but we're not.

[00:32:38] Corey Hoffstein: I was, doing some analysis on some just basic earning stuff. Someone asked me, I was on a podcast yesterday and they were asking me about one year forecast. I think everyone can guess it. I think it's complete folly, but I was looking at where we are, trailing 12 month earnings. You know what our PE is, and our PE right now is like a 27 on trailing 12 month earnings, assuming earnings come in line through the end of the year.

And it's because, in my estimation, that forward earnings growth is like one of the highest levels it's ever been. It's supposed to be 13 and a half percent next year compared to a long-term average of six and a half. So that's okay. We're pricing high because we expect earnings to catch up.

But the problem is, if you expect that growth rate to go back down, if you expect PEs to go back down to even like the five year average, it means that our return next year is at most 6 percent in the S&P. For us to have a 15-20 percent return in the S&P, it implies that we have to expect 2026/2027 earnings to also be 13%.

And so there's this, analysts are pretty damn good at earnings estimates at this point, like I tend to take them as given unless there's a big *black swan* that by definition, we don't know is hanging out there that knocks those earnings out. But man, it's really hard to look at the valuation and not say we're fully valued. Normally I tend to ignore relative valuations between U.S. and international, but it's very hard to not see a valuation contraction next year, taking the wind out of U.S. equities.

[00:34:16] Meb Faber: Yeah, first two years of the presidential cycle tend to be pretty muted, but it's animal spirits everywhere. I love the chart. Recently there's a handful of charts that are at all-time highs. The percentage of equity ownership, everyone, the highest percentage ever of people expecting positive stock returns in the next year. These type of polls and sentiment, but there's some that aren't crazy, the AAI, maybe they're just old and grumpy at this point. That crowd's not partying like ‘99. I don't know why not. but you're definitely seeing pockets of everyone all in the pool.

But it was funny to see. I like, I wonder if you could think of better ways to do the polls? The guy, the French dude who won 30 million on the U.S. election, who was YOLOing into a poly market. When they did the interview with him, he was talking about, he's, I realized the polls were wrong because he came up with the polling methodology where he would ask people, not who are you voting for, but who is your neighbor most likely to vote for?

And I thought that was fascinating, because people are way more likely to be honest about, *it's not me*. It's not a commentary on me, but my neighbor, they're huge Trumpers, whatever it may be. And I wonder if there's ways to do polling on the markets, like this. I think they all say the same thing. We did a chart many years ago, which we, it's probably a, we blanked out the labels, but it was essentially a chart of *all of these line up the exact same*. It was like S&P price, AAI value, sentiment. So bullish, and then valuation, and they're all the same thing, right? It's just, all just that P. And so when the P is way up, here we are. So anyway.

[00:36:04] Rodrigo Gordillo: All right Wes. I think it's up, you're up now, right? I've lost track, but I'm pretty sure you're up next.

[00:36:10] Wes Gray: I think it was Corey next, but I'll go. Corey, I mean you're done. Yeah. Yeah, they're okay. I'll, so one, I actually, I'm just curious what you guys think before I even throw you out. My idea is, what do you guys think about these two-stock ETFs? Like they're stacked or whatever. It's like you're buying…

[00:36:31] Meb Faber: Wow. He's going stacked on Corey. You're throwing Corey and Rod in with stack.

[00:36:36] Wes Gray: It's like The generic gambler version of what Corey's doing, where you take hood and then you stack it with Coinbase.

[00:36:45] Corey Hoffstein: And so, there's, there needs to be a disclosure here, which is Return Stacked is a registered trademark. And for anyone to use anything close to it, they have to have our blessing. So stacked is that process like…

[00:37:01] Meb Faber: By the way, is that hard?

[00:37:03] Corey Hoffstein: It's, it is actually. So we tried to get Return Stacked and Return Stacking, both as registered trademarks, it took a year and a half and we got Return Stacked. They denied us on Return Stacking because they said we had done too good a job at making it popular nomenclature.

[00:37:21] Rodrigo Gordillo: Yeah, it's general language now that is being used across the board. So Return Stacking is a verb. It can't be.

[00:37:29] Corey Hoffstein: And what was very funny was the articles they cited, link to us as being the origin of the phrase, but they said the fact that so many people were now using it, meant that it was beyond the scope of our reach. **Return Stacked** on the other hand, they gave to us because there was no odd, like that could be an obvious brand. So anyway.

[00:37:47] Meb Faber: I can't think of Return Stacked with, every time, just reminds me of Sir Mix-a-Lot. I don't know why, that guys theme song, every time, it gets stuck in my head.

[00:37:56] Corey Hoffstein: So before I comment on this Wes, there is full disclosure. We do have an economic interest in those products.

[00:38:03] Wes Gray: Got it. I will not, then I'm just curious what people think, I forgot about that. I was generally asking a question, what people thought about.

[00:38:11] Corey Hoffstein: Look, I, there are some of them that I think are interesting, and others that I candidly don't like at all. Like I, you already heard me say, I think MicroStrategy is a pyramid, Ponzi scheme.

[00:38:23] Wes Gray: Yeah.

[00:38:23] Corey Hoffstein: Pyramid scheme, and some of the filings included MicroStrategy. I don't care for those. But I think if people are going to look for trades, we're seeing all these 2X exposures explode in popularity as people are trading, and they're trading with leverage, right? I think these dual expressions are an interesting way to play that, right, and I think you'll see a lot more of them. There was another firm that filed for a couple of *1+1 filings* from Volatility Shares. And so I think we'll see a lot more of these.

[00:38:58] Wes Gray: Exactly. Now, is there any, are they, do they have any investment design where it's Exxon and Google, or is it just like fire on fire? What's like the general sense on how that works?

[00:39:12] Corey Hoffstein: So the idea is hopefully there is, you're combining. things that have some diversification to them, but on the other hand, people like it when they're thematically aligned. So Coinbase plus Hood, right? Robinhood gets you in this alternative custodian of alternative asset classes, and a younger generation of traders.

Those two pairs makes sense. So you can look at it as a little bit of dual thematic basket. but I think you'll see a lot more of that. And what we're hoping is that it goes beyond just stock plus stock. I would love to see stock plus cryptocurrency, stock plus commodity. I think there's a lot of interesting things you can do across asset classes that really opens up. But, the people who are we partnered with, wanted to do stock plus stock first. I will say we don't control it entirely. So there are certain things in the design that are out of our hands.

[00:40:11] Rodrigo Gordillo: I like it. It's for a separate audience, right? It's for the trading audience. It's for the retail audience. That's where they're speaking to.

[00:40:20] Wes Gray: And, yeah. Now is it daily reset leverage in those deals, or is it, okay, it's like the, you can reset it?

[00:40:28] Corey Hoffstein: Yeah, Bitcoin/gold is not daily reset. It's at minimum monthly reset, but with some threshold bands. I believe the stock plus stock has been done with an expectation of daily reset.

[00:40:41] Wes Gray: Yeah. I like, you guys should do, you have to talk to Gary Antonacci, your friend, but dual momentum, these things, like two stocks, but with dual momentum.

[00:40:53] Rodrigo Gordillo: You know what Wes, let me tell you about dual momentum, because of course, that's the first thing I did, right? Of course, like years ago, I'm like, this is going to be great. Yeah. Here's the reality. You end up taking out all the fun. You take out all the fun, you take out all the juice, you like, collapse volatility, collapse returns. It's actually not as good. It's just, you know, do you believe in the theme, and you own it in equal weight across everything.

[00:41:16] Wes Gray: I was thinking you could do like, maybe don't do like you do, like part do a momentum where it's just a relative strength, where it's like whatever one's winning, you go.

[00:41:23] Rodrigo Gordillo: I think there's value because you manage risk doing those things.

[00:41:28] Wes Gray: Yeah.

[00:41:28] Rodrigo Gordillo: But you also eliminate a ton of upside, every time you fiddle around with any one of these things.

[00:41:35] Wes Gray: Yeah.

[00:41:36] Rodrigo Gordillo: You do cut it, not by a little bit, by a lot. You also cut risk by a ton, but it's just not, it's just nobody that is in that space of trading and wanting to trade these pairs, especially something like Bitcoin is yeah, that's, they don't want risk management. That's for the Advisor side of things and at the end, what it looks like is a quant strategy, and they've been pitched 20,000 quant strategies. It looks nothing like **Bitcoin** at the end of the day.

[00:42:03] Wes Gray: Yeah.

[00:42:04] Rodrigo Gordillo: So I like it.

[00:42:05] Wes Gray: It's a way better business than fighting against Vanguard. People like it. Let the dogs eat. Anyways, I was just really curious, and I actually forgot that you guys are actually involved. I was just curious what people thought about them, Because I was like, what are they going to come up with?

[00:42:25] Corey Hoffstein: Did you see, the Battleshares filings?

[00:42:28] Wes Gray: Yeah, that was long one/short one.

[00:42:29] Corey Hoffstein: So that was not us, but, I think that was the Tidal team.

[00:42:34] Wes Gray: Yeah. Yeah. I love that idea. That was just, that's just cool. I don't know if it's like a good investment idea, but I just thought it would be a cool, like, marketing concept and you get a lot of…

[00:42:44] Corey Hoffstein: We're really at the point of just throwing a lot of stuff out there, right? So Battleshares, it's long one stock, short another. You're going to run into some interesting problems, like I'm sure you guys heard about how the big banks were not giving swaps on MicroStrategy. So it was all, I don't want to say second tier, but second tier parties were giving these swaps, who then, when the two ETFs, the two times ETFs got to a cumulative 10 to 12 billion, they said no more swaps, and so then they had to move into the underlying options market. And some of those trades were executed quite sloppily, and you had some huge dispersion in the day-to-day performance. And that's the risk, right, of those ETFs. You can't close them. They blow up all of a sudden. You can't really operate them the way you intend to. So there's some real operational risk in that stuff.

[00:43:33] Meb Faber: And we talked about this. I think I was batting with you guys on Twitter where I said, look, one of the biggest challenges about some of these traditional index providers is you have to follow the index. And if you so choose, there are many simple solutions. That one's a little different, but traditional equity long-only fund on how to rebalance, and more thoughtful ways.

And there's one fund in particular, I'm not going to name the name. It's a 10 billion fund. It was the ETF of the year last year. And this fund regularly YOLOs into stock positions in small caps and buys 20 percent of the float. Now, if you look at the academic literature and you say, what does it cost to buy a stock with 20 percent of the float? It's not zero, right? I'll say the name.

[00:44:19] Corey Hoffstein: Can I say the name? I'm not afraid.

[00:44:20] Meb Faber: I don't call. This is actually a lot. And there's 10 billion worth of RIAs that did not read past the name and the prospectus, and are going to get surprised as this fund underperforms possibly for years and years. And they're going to eventually sell it. All the assets are going to come out, which will call cause, the reflexive arc at its peak was only buying like, 10 percent of these large caps. They weren't even messing around with these little things. This thing is going to be a dumpster in my mind. I'm, you heard it here first, second and third.

[00:44:53] Corey Hoffstein: But I love that you're also not telling people what, what's going to be a dumpster. You are absolutely talking about the CAF ETF, aren't you?

[00:45:00] Meb Faber: I didn't say whether you were accurate or not. That is not one of my ideas.

[00:45:05] Corey Hoffstein: *Jake Economic* on Twitter has been all over that one too, doing some analysis on the holdings, and yeah, to your point, right? This is I think, one of those cases of reflexivity of, that thing went from zero to 10 billion. And of course the stuff that owned went up, and then eventually it's going to stop going up. It's going to underperform. People are going to take their money out and you're going to see it go just the opposite direction. And it happened with ARK. I think it will happen here.

[00:45:31] Meb Faber: The same thing with ARK. There's a thousand things you could have done ahead of time. The problem is most people don't want to disturb the golden goose or the apple cart, because if you update the perspective say hey, hold on, we're not following this index anymore. We're going to rebalance this way. We're going to add hold, we're going to do all the thoughtful things we should be doing, but there's a lot of people in our world who are less, they care less about that and more about just how can we raise money, and anyway, that's not what they've shown, to my ideas.

[00:46:04] Rodrigo Gordillo: Yeah. Okay. Yeah. You go, you do you, because we, yeah, we're running out of time.

[00:46:06] Wes Gray: Let me give my idea that I had, which I wanted to talk about some exciting, before I talked about something really boring. But my idea, which I think is going to actually happen, is how to revolutionize exchange funds and make them low cost, much more easy to deal with and much more transparent. So stay tuned on that, because that's…

[00:46:33] Meb Faber: You're making, a lot of friends at Eaton Vance, and Goldman.

[00:46:37] Wes Gray: Yeah. We're not going to make any friends, but I don't…

[00:46:39] Meb Faber: Merrill or Morgan? Hey, but hold on. My, one of my ideas should have been someone needs to buy Goldman's White label business. Wes, you've done such a good job, you put 'em out of business.

[00:46:49] Wes Gray: Nope. It's worthless. yeah. Why would I want to buy, I some, a good clients, they've lost some good funds.

[00:46:55] Meb Faber: I got GMO in there.

[00:46:58] Rodrigo Gordillo: But anyway…

[00:46:59] Meb Faber: Yeah.

[00:47:01] Rodrigo Gordillo: You've been teasing me with that for weeks. I can't wait to get the full load.

[00:47:05] Wes Gray: It's finally, I just, I got back on a plane from New York at 3:30 AM yesterday, but I got this thing rocking. It's got liftoff.

[00:47:17] Meb Faber: The Valentine Day ideas. 14 Cupid ideas for Wes's exchange funds.

[00:47:23] Wes Gray: Oh yeah. So stay tuned. That'll be a big one.

[00:47:27] Meb Faber: All right, man, what do you got? I got three really quick, sorry, number one, I'm, you guys talked me out of taking my child's entire college fund, going to Vegas, and betting it on Nikola Jokic, the MVP.

I was like, I love it at 8 to 1. He's now even odds. I think it's a wrap. I don't see any way he doesn't win it. Not investing advice, but the real one, which I tried, this doesn't count, because it's not an idea you can implement. I was e-foiling with Rod in the Caribbean. And Corey, if you would've been there, and maybe you would've talked some sense into him, and I tried to convince him to launch a Return Stacked shareholder *yield plus managed futures plus tail risk type of ETF*, and he said, no, I got enough money coming in every day. I got nonsense.

[00:48:16] Rodrigo Gordillo: Adam said, I don't think that's a good thing, and I was like, let's do it. And he decided to do it with somebody else. I got too much.

[00:48:21] Meb Faber: I got to count my dollars coming in, so investors, sorry you can't invest that, but I'll give you my idea.

We did a fun Twitter poll a few years ago. This was originally, hat tip to our friend Toby, who did this idea and we co-opted it, and we did this last in like 2020, I think. And I said, all right, here's a fun challenge. Listeners, followers, here's the game. You get a name and investment for the next year. No leverage, no Battleshares, no derivatives, no inverse funds, but you can do long or short. And the goal is the person who loses the most money.

And, so you've got to pick an investment and basically pick it the wrong way. So you'll say *long Tesla*. And if Tesla goes down, you would win, 99 percent you win, okay? The top three answers, and that, and all the responses, because I aggregated them were, GameStop, Bitcoin, and something else. And the average return was like a thousand percent, meaning everyone got it exactly wrong in the most horrific face-ripper way possible. So my idea is, because I just did this today, but you got to go to my Twitter. We'll go through. summarize the ideas, and whatever pops out is the one or two most consensus. This can't do this positions, will be a good idea.

[00:49:57] Corey Hoffstein: Isn't it? All right. So I'm putting my quant hat on here. Isn't the optimal choice always going to be, you want to go short something that's high vol, because if you go long something, the most you can lose is a hundred percent, but if you, so, there's an asymmetry to this, right? The bet side you should always take is the short side here. And then you go short something that's super high vol, and just hope it goes up a hundred percent in the year. And then you're bankrupt.

[00:50:25] Meb Faber: Corey, you can enter. There's no one stopping you. The winner gets a free hat. You guys, look at all these hats. Look at all, those hats are looking for a new home up there.

[00:50:34] Corey Hoffstein: You need a pretty significant edge to choose the long side on that.

[00:50:38] Meb Faber: I said, I'll give the top three, our new coffee table book, which will be out next year. I say that because that's not even written yet, but hopefully out next year, we'll send out three of those. Alright, that's my idea. Take the opposite of whatever the crowd says.

[00:50:50] Rodrigo Gordillo: Okay, so that time you already put the poll up on…

[00:50:53] Meb Faber: Poll's up. I haven't collected the answers. Haven't curated them, so I don't know what they said. I'm guessing there's a lot of MicroStrategy. But the problem is, I think on that one, it's a battleground. People are on both sides, universally when I did it. Everyone was like, GameStop's stupid. Bitcoin's stupid. And I don't even remember what the third one was.

[00:51:10] Corey Hoffstein: Speaking of GameStop, what happened to Roaring Kitty? He came back, GameStop pumped like crazy. And then he just disappeared.

[00:51:17] Rodrigo Gordillo: He just got his 30 million. He went away. Netflix season two.

[00:51:24] Wes Gray: Now I got a question for you guys. What do you guys think about the DJT stock? I don't even remember what the hell the ticker is. The it's DJT. Is it DJT the ticker? I don't know, but like, the Truth Social thing.

[00:51:41] Rodrigo Gordillo: Media and technology group. That one.

[00:51:43] Wes Gray: Yeah. I'm sorry. Say again.

[00:51:45] Rodrigo Gordillo: Trump Media, do you mean?

[00:51:46] Wes Gray: Yeah, the one that's the Truth Social, I'm just curious, what the gamblers think on that one. That's an interesting one.

[00:51:55] Rodrigo Gordillo: Yeah, that's that. I know nothing about the fundamentals behind that. There was a bunch of money thrown at this. I don't know anybody uses, but then, then again.

[00:52:07] Meb Faber: Most of my friends, shout out to my cotton trading buddy, he's not listening, but, he was like, I'm going to do a straddle. I'm going to sell a straddle. The volatility is crazy. And I

looked at it and I spent an hour trying to come up with trade ideas. I'm like, this is too hard bucket. I can, I like Corey said, I can come up with a scenario where I get my face ripped off, any outcome, right? There's they're doing 2 million a year in revenue. Whatever this is, should be a zero, but who knows? I don't know.

[00:52:35] Wes Gray: Yeah.

[00:52:35] Rodrigo Gordillo: I'm going to think about Bluesky, that I just found out that this existed a couple of days ago. It's like the new reaction to Twitter and…

[00:52:47] Corey Hoffstein: That what was the really popular play a couple of years ago with the Hamilton, and the King was singing, you'll be back. Like, whenever someone tells me they're moving from X to Bluesky or Mastodon or Threads or whatever else, I just, I'm like, you'll be back.

And they always come back. The only people who haven't come back are the people who've been banned or have been like, blacklisted, like Dave Nadig, who I mentioned earlier has somehow gotten himself basically blacklisted on X. Really? What'd he do? He, has no idea. If he answers, if he does more than a tweet a day, basically X comes back at him and says, you're rate limited. You can't answer anything else.

[00:53:29] Rodrigo Gordillo: That's great. So we don't know. We haven't figured out what's going on there. What's crazy is I, yes, I think the interface has gotten worse. My feed is garbage, but it just forces me to go to those ones that I like. And I still find it. I know *Economic* hates it, and always talks about how much worse it is. I haven't found it to be worse personally. I don't know what everybody else thinks.

[00:53:52] Meb Faber: You just can't, you can't hang out on the *For You* tab, and you certainly can't open it in public. It's like people getting decapitated. It's poor.

[00:53:59] Rodrigo Gordillo: Yeah. No, you need to immediately shift over. Like they need to require some willpower.

[00:54:03] Corey Hoffstein: Mine should be a conspiracy theory. I actually love going to my *For You* because somehow I had gotten the conspiracy theory, UFO side of things, Florida, man.

[00:54:13] Rodrigo Gordillo: So the Elon Musk feed, yeah.

[00:54:17] Meb Faber: Targeting this area of Florida. They're like anyone here, anyone who happens to live here in Florida. Yeah. They're, they see, they like…

[00:54:26] Corey Hoffstein: Yeah, I use a, if you go to **Pro.X.com**, you get the old tweet deck set up and I just have my own list. So when people tell me they have a bad time, I'm like, I don't see anyone other than who's on my list. yeah.

[00:54:38] Rodrigo Gordillo: So then you don't have to, you're not constantly being thrown back at the four, you said Pro.X.com. Yeah.

[00:54:44] Corey Hoffstein: Just set up the list you want.

[00:54:46] Rodrigo Gordillo: Yeah.

[00:54:46] Wes Gray: I did muting too. If you don't want to do like political shit, just like, no Harris, no Trump, no anything, t literally cleans your feed up, just by muting words.

[00:54:59] Meb Faber: Still finds me somehow.

[00:55:02] Rodrigo Gordillo: Yeah, I know. I know. You do all the effort in the case that it still finds you. So I've done a little bit of that and it…

[00:55:08] Meb Faber: Who hasn't done a third idea. Am I the only one that's done three?

[00:55:11] Rodrigo Gordillo: I haven't done my third.

[00:55:13] Corey Hoffstein: I'm going to end with a boring one and I'm talking my book here, but, so we talked about the valuations and equities being very high I know Meb is going to say T-bills and Chill. I think there's an argument, especially bonds for the intermediate term.

So I love this rule. I don't know why more people don't know it. It's called the two times duration minus one rule. It basically says if you take the duration of your bond portfolio, and if you have a constant duration, constant maturity fund, take two times that duration and subtract one, that's going to be your number of years. And then the current yield-to-worst is a really accurate estimate of your annualized return over that period. So let's say you're looking at the Barclays Ag, the yield is four and a half percent and, the duration is five. That would say two times five minus one is nine

years. You can expect pretty spot-on four and a half percent annualized returns over the next nine years, regardless of what happens with interest rates.

Now there's some wiggle room. Credit convexity changes things, but it's generally true, and particularly true when you get to like intermediate term Treasuries. It's pretty darn accurate. So my view is especially where valuations are today with U.S. equities. I think there's a strong argument for stacking things on top of bonds for the next seven to 10 years. I think you can pretty much lock in four to 5 percent as your base return, and then you can hopefully get 200, 300 bips on top of diversifying alternative strategies or asset classes, right?

You can throw gold, you can throw merger arb, you can throw trend following. The simple way to do this, obviously I'm talking my book, we have our own funds, but you could go, take a capital efficient fund and go buy AQR's diversified alternatives, or Stonebridge's diversified alternatives, and you're going to get managed futures, diversified arbitrage, cryptocurrency, private lending. You're going to get 20 different strategies in two funds. The annualized return of a 50/50 portfolio, those two funds, is like seven and a half percent. You take that step, use a capital efficient strategy to stack that on top of your bond exposure, and I think you are in a much better place in seven to 10 years than you are trying to pick stocks better.

[00:57:28] Rodrigo Gordillo: I like the idea of thinking about it as you're locking in that amount, right? Yeah, if this plays out, and we've seen it, you, there's a great blog post that Corey put up on Newfound Research. Is that new for every just, what's your URL for that? Thinknewfound.com. Thinknewfound.com..

[00:57:46] Meb Faber: Let's see. Where's Newfound Research going to go? It's, do you guys hear what the, don't type this in listeners. The *Wicked* movie, they unintentionally printed on all the toys, wicked.com. Wicked.com is not a safe-for-work domain. So whatever, you don't type that in, but they printed it on all the toys and had to recall it. I was like, dude, if you're Hasbro, whoever did it, I was like, you just have to buy the domain at that point and just own it, and be like, look, I'm reaching out to the owners. Like, here's 10 million bucks. Come on.

[00:58:18] Corey Hoffstein: We do have a post coming out on that, on our return stack. Yeah, but I think, again, it's not a next year thing, but I do think it's for folks looking in that 7 to 10 year investment horizon. I think that *two times duration rule* is really powerful. Now it's nominal returns, right? We're not talking real here, but at the end of the day, it's, I think it's a really interesting way to lock in those returns.

End miniriff here

[00:58:39] Rodrigo Gordillo: Love it. Okay. All right. My goal, mine's also a little boring, but it's, I think everybody's talking about AI, the AI revolution and got, I do believe that there is a revolution, that it's absolutely transformational. At the same time, I think a 40X revenue multiple on these stocks is insane. So definitely not into the idea of investing in AI, but there is something to be said about the cost of energy that AI is bringing down the pike. I was listening to a podcast with Eric's, with, is it, yeah, Eric Schmidt from Google, where he said that the cost to do a single run of ChatGPT, like the actual, initial run before they launched, it was a hundred million dollars.

And the run for the new models is going to cost each 250 million, of which the majority is going to be energy related costs. Okay, so you have a massive energy suck. You have crypto becoming very popular. Everything that Corey alluded to, I think I'm aligned with that. That, every year we've seen crypto increase the amount of terawatt hours that they've used.

We started at 30 in 2017 and we're at 160 terawatt hours, growing 20 terawatts a year. We are looking at the EV revolution also requiring an insane amount of energy. And, so we got to get it somewhere. So I think the big shift here is going to be nuclear. I think we're seeing it already. We're seeing ESG, like I'm part of a committee in my alma mater, but all of a sudden that's flipped on nuclear for the ESG book.

So we can now start investing in nuclear. And that includes a wide variety of things, right? Not just uranium, but like the small, what do they call their, the SMR is a, small modular reactors. I think I'm super bullish on that. If you can get your hands on a company that invests in those, I think that's going to be pretty neat if you can get your hands on those.

[01:00:43] Corey Hoffstein: I would love to get my hands on a small nuclear reactor.

[01:00:46] Rodrigo Gordillo: And you know what, an island like Cayman, which is hilarious. So this is, the Cayman Islands is a very, as you can imagine, being an island, being around corals, is very ESG focused. My kids talk about, we don't have to pollute, let's get, everybody needs to get an EV here on island, in order to feel good about. The sad part is when you plug in that EV to the island, we generate electricity exclusively from diesel engines, right? So it's just, it's all fugazi. It's all fake, right, and one of these, I think two or three of these could power the whole island, right? And just like this mining operations, different types of manufacturing facilities, it will absolutely benefit from this.

And especially if you have a data center that you need to extract energy from, the big issue right now is, plugging into the grid is a big problem because you're going to increase the cost of the average investor and the average user, and you're going to create some chaos in the grid.

So these are solutions that are going to be outside of the grid, going to be, they're turning around from an ESG perspective. I think everybody's starting to see a positive view on it. I'm bullish on nuclear generally. Now, Meb, I don't know if you have any thoughts on, like I said, I was struggling with investment theses here on a public market. You have any thoughts on how to play that?

[01:02:05] Meb Faber: It's interesting, *what is hated becomes dear*, going back to the conversation about uranium stocks being one of the worst performing sectors for many years in a row with a giant drawdown. It's always funny to the energy complex in general.

It's, you guys have heard me say this, but I love talking about how it was once like a third of the S&P, and it bottomed out a few years ago at 2%. And I think it's only four or five now. So it's like you, it's crazy to think, and I think you were to ask people, you guys know, I love my polls, but if you were to ask people like, what percentage of the S&P is energy, I think most people would assume it's like 10, 15, 20%, but it's not right? Me - who knows? Yeah, I don't know.

[01:02:51] Corey Hoffstein: I guess the good news is that Enron is back. So we'll see a resurgence.

[01:02:57] Rodrigo Gordillo: Is it really?

[01:02:58] Corey Hoffstein: No, yeah, there's, someone is doing a parody and they're doing a really good job. I'm not sure what the end game is, but they bought the website and they're doing all these really funny videos. I love it.

[01:03:11] Meb Faber: By the way, Corey, just, I was remembering this, Vanguard, which is, it tends to be very buttoned down. They had a piece come out where they were like, instead of 60/40, you should be 40/60, because of the fixed income, and that's at the expense of U.S. stocks largely. I always give, people were always like giving me crap about talking about valuation. And I'm like, listeners, no one talks about this more than Vanguard. And by the way, Bogle, there's a great video of him on YouTube, we post all the time, *Bogleheads* get really mad at me, where he talks about valuation, timing the market, and how you should shift, and how he shifted, and thoughtful ideas. I, that piece, I don't know the name of it off my head, but we'll send it around.

[01:03:56] Rodrigo Gordillo: All right, Wes, what do you got for us to finish off the session?

[01:04:00] Wes Gray: I gave him my three ideas already. I don't know anything. and I don't know shit about energy.

[01:04:06] Meb Faber: He spends all his time golfing now. He's a golfer. He's gone.

[01:04:12] Wes Gray: I do spend a lot of time golfing and a lot of time hanging out with my Christmas lights. There's nothing more awesome than going golfing with a friend. I don't do jujitsu anymore.

[01:04:22] Rodrigo Gordillo: What are we going to do? What are we going to do? Let's just go, grab, let's just throw the ball around and play some golf. It was the fastest nine holes I've ever played in my life. It was like, he just, he needed to get it in. I can see why he ran from hole to hole.

[01:04:36] Wes Gray: We still do that. Actually, before I got on this podcast, I literally, I fit in 12 holes, and I didn't like, spring around the course.

[01:04:45] Rodrigo Gordillo: Never experienced anything like it. It was hilarious. Jack was with us too, right?

[01:04:49] Wes Gray: Yup. He's a degenerate golfer as well. There's a lot.

[01:04:54] Rodrigo Gordillo: Did you get too many injuries?

[01:04:56] Wes Gray: I'm sorry. Say again.

[01:04:57] Rodrigo Gordillo: No more jujitsu. Too many injuries.

[01:04:59] Wes Gray: No, after my ACL blowout, I'm 44 and I just, you know what? I'm not doing any more fighting. It's just, what's the point. It doesn't make sense.

[01:05:11] Rodrigo Gordillo: I got both knees injected with stem cells and PRP last week. So that's at 44 years old, man.

[01:05:17] Meb Faber: Both? They give you both at the same time? You're sure it's not just saline?

[01:05:20] Rodrigo Gordillo: I had a sinus surgery. So what happened was I had, I've been meaning to look at the knees. They finally gave me imaging and my meniscuses were shot on both. It was, I wasn't going to be able to play Gaelic this February, so it was disastrous for me. Gaelic football, for those who don't know, is the Irish's favorite game. And then I had to get the sinus surgery and they decided, I said, I'm going to be out for two to three weeks if I do a sinus surgery, and again out for two, three weeks, if I get my knees done. I'm going to get them both done. Let me tell you, audience, do not do that. That was the worst decision I've ever done. Like I've never been in that much pain.

[01:05:57] Meb Faber: You do that, is that in Cayman?

[01:06:00] Rodrigo Gordillo: We got, there's a bunch of guys here and everybody that has gone that I know, so I've been watching this for a few years, has come back with brand spanking new knees, playing all the sports with no pain. It's insane.

[01:06:10] Corey Hoffstein: I got a buddy.

[01:06:12] Meb Faber: I'm on board just for the placebo. Like I don't care if they actually inject me with Vaseline. I'm like, you know what, if my head thinks that I'm going to be better, I'm cool with it. And I'm ready, so let's plan a, let's plan a conference.

[01:06:25] Corey Hoffstein: And I have a buddy who just did it in his back for a disc issue. He went to Tijuana of all places, but, he's four months, three months in, and he's, this was after two years of, he just was crippled, like he coughed too hard, slipped the disc two years later. Like literal, this was the most athletic guy I knew, had gained 35, 40 pounds, could barely walk, just hobbled, and he gets this done and he's not fully back, but he's, he can see light at the end of the tunnel. Yeah, I don't know what they did.

[01:07:02] Rodrigo Gordillo: What they did is that was, I thought it was like, I go in, I get some embryonic stem cells from some umbilical cord. No, it's your own. The way they do it here that it's the one that's most effective is they grab it from your own body, right? So I laid in a table and they got fat from the side, my body. And the guy said, look, this will take about half an hour, 45 minutes. But sadly, I was in pain. I was just too skinny. It took…

[01:07:32] Meb Faber: Now you're just admitting you got liposuction, which is weird.

[01:07:34] Rodrigo Gordillo: Which is exactly what it was. He had a liposuction. That's part of his other business, but it was a liposuction machine that was trying to suck fat that didn't actually work. Like it was just too difficult. So we had to go to the other side and it was an hour and a half of trying to get fat on the other side, so that they take out the fat. The other thing they had to take out, or just to make it even better, is could take out bone marrow.

So then I lay on my back, guy brings out a hammer, put some needles on, so I don't feel anything. And just like the whole table's moving and he's, you okay? I'm like, yeah, I'm still here. He's *80 percent of patients pass out at this point*. So he does one hammering, sucks a bone marrow out. And I'm like, so are we done? It's no, we got to do four more of those.

[01:08:18] Corey Hoffstein: Oh my god, you've really sold me on this.

[01:08:22] Rodrigo Gordillo: This guy just lost three possible patients. I didn't feel a thing. I didn't feel a thing. Like it was just, it's the psychological element of the hammer. Didn't feel a thing. Didn't feel a thing on my back the next day. Phenomenal job. Come back three hours later. They do some stuff and then they injected two or three needles on each knee, and on crutches for a day, started walking the next day, pretty good day three. And it takes about, and you start seeing the effects apparently in the next few weeks, but you really don't through rehab and getting blood flow and whatnot, is over the next six months. So I'm fairly pumped.

[01:08:56] Meb Faber: I don't know. I'd rather go to Tijuana.

[01:08:59] Rodrigo Gordillo: Fair enough. Loved it. The guys, it was three hours of chatting with a very knowledgeable doctor. Talking about all the longevity stuff, which is my jam. So I had a pretty good time in it. We'll have all of you guys do stem cells when you come down visit next time.

Yeah, on that gruesome note, now I see everybody's face, we shall end this podcast. Thank you, gentlemen, Meb, Corey, Wes, for coming and sharing your ideas. Love the idea of doing this again in February for Valentine's Day. And this time, Wes, you're going to lead it, you didn't tell us all about that, the tax structure that we all want to hear.

All right. Awesome. Thank you everybody for sticking around so long. I hope you enjoyed it. You have any questions, you know how to reach us on Twitter and whatnot, on anything that we discuss here. And again, not investment advice. We'll see you next time. Thanks guys.