



4 April 2023

Joe Forster
Chief Executive Officer

Relative Value Model

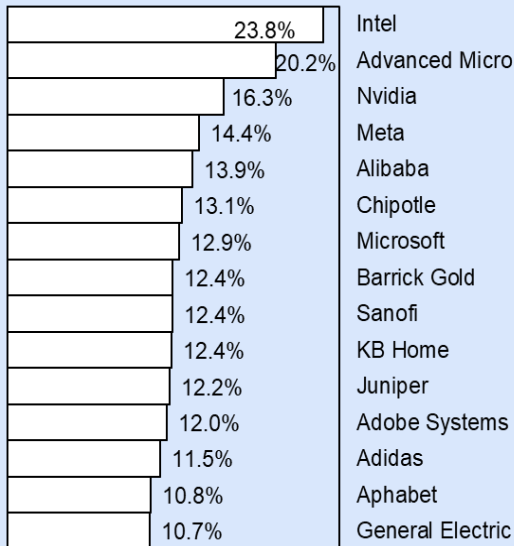
2Q23 Earnings Preview: Earnings are still at risk

The S&P 500 rose 1.6% while EE23 fell 8.5%, pushing the PE23 up from 15.3 to 17.0. Last quarter we said markets trade at 15 because investors do not believe the earnings forecasts, and standard deviations increased. I was right, but stock prices looked through the cuts in estimates. Stay defensive.

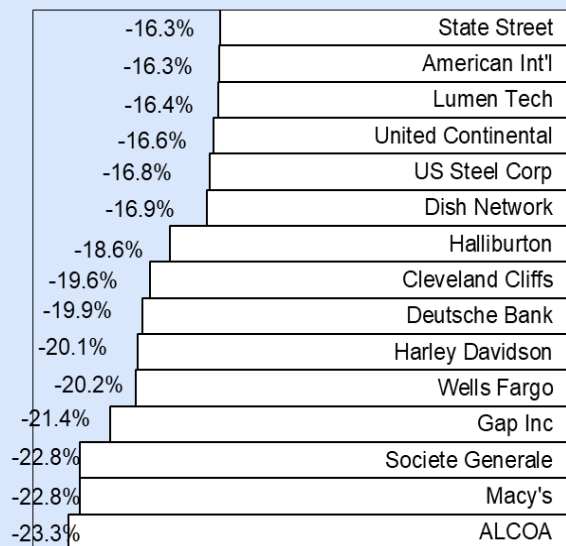
Sell Australian banks and buy Citi or BankAmerica. Activation Blizzard!

GOOGL US	100.0000	103.73	EXC...	10,373.00	93.65	9,365.00	04/25/18	10.76
ATVI US	100.0000	85.59	EXC...	8,559.00	79.39	7,939.00	05/22/22	7.81
MRNA US	1.0000	153.58	EXC...	153.58	143.20	143.20	10/01/21	7.25
SPX	1.0000	4109.31	EXC...	4,109.31	4045.64	4,045.64	09/29/11	1.57
C US	1.0000	46.89	EXC...	46.89	52.35	52.35	09/02/22	-10.43

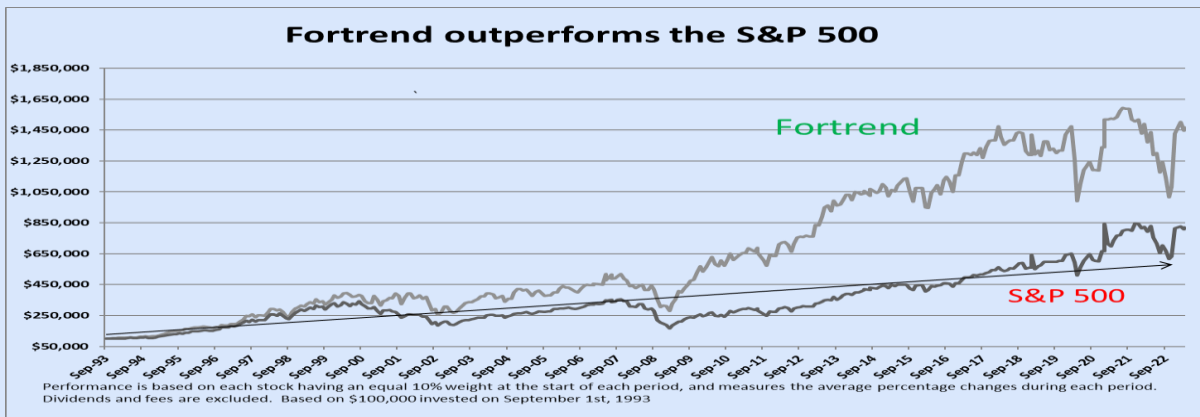
Best Price Performers



Worst Price Performers



Fortrend outperforms the S&P 500



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Guidance for next quarter, not for 2024!

Guidance Date	Company	Prior Consen...	Prior Range	Guidance	Revision	Excess Ret...	GICS Industry
28-Mar-2023	Carnival Corp	\$-0.28	\$-0.33 to \$-0.22	\$-0.42 to \$-0.34	Down	-4.93%	Consumer Services
28-Mar-2023	Micron Technology...	\$-1.07	\$-1.71 to \$-0.37	\$-1.86 to \$-1.72	Down W	5.76%	Semiconductors & Semiconductor
28-Mar-2023	WEC Energy Group ...	\$1.74	\$1.66 to \$1.82	\$1.56 to \$1.58	Down	-.62%	Utilities
23-Mar-2023	Darden Restaura...	\$2.52	\$2.35 to \$2.64	\$2.43 to \$2.58	Neutral	-.65%	Consumer Services
16-Mar-2023	Nucor Corp	\$3.96	\$3.65 to \$4.26	\$3.7 to \$3.8	Down W	-1.33%	Materials
15-Mar-2023	Adobe Inc	\$3.76	\$3.69 to \$3.86	\$3.75 to \$3.8	Neutral	4.14%	Software & Services
15-Mar-2023	Steel Dynamics Inc	\$3.1	\$2.56 to \$3.53	\$3.7 to \$3.82	Up	-11.81%	Materials
02-Mar-2023	Hewlett Packard E...	\$0.47	\$0.45 to \$0.5	\$0.44 to \$0.52	Neutral	-3.03%	Technology Hardware & Equipmen
01-Mar-2023	Dollar Tree Inc	\$1.86	\$1.43 to \$2.56	\$1.46 to \$1.56	Down W	2.43%	Retailing
01-Mar-2023	Salesforce Inc	\$1.31	\$1.14 to \$1.54	\$1.6 to \$1.61	Up	10.74%	Software & Services
28-Feb-2023	Target Corp	\$2.19	\$1.53 to \$2.86	\$1.5 to \$1.9	Down	1.32%	Retailing
28-Feb-2023	HP Inc	\$0.76	\$0.68 to \$0.88	\$0.73 to \$0.83	Neutral	-1.76%	Technology Hardware & Equipmen
28-Feb-2023	Ross Stores Inc	\$1.18	\$1.02 to \$1.35	\$0.99 to \$1.05	Down	.59%	Retailing
28-Feb-2023	Agilent Technologi...	\$1.27	\$1.21 to \$1.37	\$1.24 to \$1.27	Neutral	-2.67%	Pharmaceuticals, Biotechnology
28-Feb-2023	Norwegian Cruise ...	\$-0.34	\$-0.51 to \$-0.15	\$-0.45 to \$-0.45	Down W	-9.88%	Consumer Services
23-Feb-2023	Bath & Body Works...	\$0.45	\$0.16 to \$0.73	\$0.17 to \$0.27	Down W	3.45%	Retailing
Guidance Date	Company	Prior Consen...	Prior Range	Guidance	Revision	Excess Ret...	GICS Industry
23-Feb-2023	Autodesk Inc	\$1.63	\$1.57 to \$1.76	\$1.5 to \$1.56	Down W	-11.89%	Software & Services
23-Feb-2023	Intuit Inc	\$8.91	\$8.59 to \$9.26	\$8.42 to \$8.49	Down	2.98%	Software & Services
23-Feb-2023	Celanese Corp	\$2.45	\$1.8 to \$3.17	\$1.5 to \$1.75	Down	3.62%	Materials
22-Feb-2023	NetApp Inc	\$1.42	\$1.36 to \$1.48	\$1.3 to \$1.4	Down OK	.06%	Technology Hardware & Equipmen
22-Feb-2023	Iron Mountain Inc	\$0.75	\$0.69 to \$0.8	\$0.92 to \$0.92	Up	3.69%	Real Estate
22-Feb-2023	ANSYS Inc	\$1.39	\$1.21 to \$1.6	\$1.53 to \$1.71	Up	9.95%	Software & Services
22-Feb-2023	eBay Inc	\$1.06	\$0.9 to \$1.17	\$1.05 to \$1.09	Neutral Less W	-5.76%	Retailing
21-Feb-2023	Walmart Inc	\$1.38	\$1.19 to \$1.63	\$1.25 to \$1.3	Down	2.61%	Food & Staples Retailing
21-Feb-2023	CoStar Group Inc	\$0.36	\$0.28 to \$0.43	\$0.25 to \$0.26	Down	-4.96%	Commercial & Professional Serv
21-Feb-2023	Keysight Technolo...	\$1.95	\$1.73 to \$2.11	\$1.91 to \$1.97	Neutral	-12.55%	Technology Hardware & Equipmen
16-Feb-2023	Applied Materials L...	\$1.75	\$1.23 to \$2.03	\$1.66 to \$2.02	Neutral W	.32%	Semiconductors & Semiconductor
16-Feb-2023	Zebra Technolog...	\$4.11	\$3.61 to \$4.64	\$3.7 to \$4	Down	3.34%	Technology Hardware & Equipmen
16-Feb-2023	EPAM Systems Inc	\$2.76	\$2.56 to \$2.99	\$2.3 to \$2.38	Down	-4.22%	Software & Services
15-Feb-2023	Analog Devices Inc	\$2.41	\$2.24 to \$2.73	\$2.65 to \$2.85	Up	7.2%	Semiconductors & Semiconductor
15-Feb-2023	Synopsys Inc	\$2.58	\$2.32 to \$3.04	\$2.45 to \$2.5	Down	-3.83%	Software & Services
15-Feb-2023	Waters Corp	\$2.67	\$2.37 to \$2.93	\$2.55 to \$2.65	Down Less W	-.99%	Pharmaceuticals, Biotechnology
Guidance Date	Company	Prior Consen...	Prior Range	Guidance	Revision	Excess Ret...	GICS Industry
15-Feb-2023	Cisco Systems Inc	\$0.89	\$0.86 to \$0.92	\$0.96 to \$0.98	Up	6.62%	Technology Hardware & Equipmen
14-Feb-2023	Ecolab Inc	\$0.85	\$0.75 to \$1.05	\$0.82 to \$0.9	Neutral	7.13%	Materials
14-Feb-2023	Marriott Internatio...	\$1.65	\$1.45 to \$1.89	\$1.82 to \$1.88	Up	3.99%	Consumer Services
14-Feb-2023	Howmet Aerospace...	\$0.39	\$0.32 to \$0.43	\$0.35 to \$0.39	Neutral	4.75%	Capital Goods
13-Feb-2023	Cadence Design Sy...	\$1.1	\$0.98 to \$1.28	\$1.23 to \$1.27	Up	7.24%	Software & Services
13-Feb-2023	FirstEnergy Corp	\$0.63	\$0.48 to \$0.75	\$0.56 to \$0.66	Neutral	-.52%	Utilities
13-Feb-2023	Fidelity National L...	\$1.43	\$1.29 to \$1.92	\$1.17 to \$1.23	Down	-13.65%	Software & Services
13-Feb-2023	IQVIA Holdings Inc	\$2.51	\$2.38 to \$2.79	\$2.35 to \$2.46	Down	3.02%	Pharmaceuticals, Biotechnology
10-Feb-2023	Newell Brands Inc	\$0.23	\$0.13 to \$0.34	\$-0.06 to \$-0.03	Down Very W	.94%	Consumer Durables & Apparel
09-Feb-2023	Baxter Internation...	\$0.77	\$0.73 to \$0.81	\$0.46 to \$0.5	Down	-11.24%	Health Care Equipment & Servic
09-Feb-2023	Motorola Solutions...	\$1.96	\$1.73 to \$2.24	\$2.02 to \$2.07	Up	5.37%	Technology Hardware & Equipmen
09-Feb-2023	Equity Residential	\$0.9	\$0.86 to \$0.93	\$0.84 to \$0.88	Down	.53%	Real Estate
09-Feb-2023	Mettler-Toledo Int...	\$8.47	\$8 to \$9.13	\$8.55 to \$8.65	Up	-1.61%	Pharmaceuticals, Biotechnology
09-Feb-2023	AbbVie Inc	\$3.06	\$2.8 to \$3.54	\$2.39 to \$2.49	Down	3.71%	Pharmaceuticals, Biotechnology
09-Feb-2023	Hilton Worldwide H...	\$1.15	\$0.98 to \$1.33	\$1.08 to \$1.14	Down	3.27%	Consumer Services
09-Feb-2023	PayPal Holdings Inc	\$1.06	\$0.92 to \$1.21	\$1.08 to \$1.1	Up	2.82%	Software & Services

I had very good feedback for recalling prior editions as a reminder of how we come to the current state, so here is more.

Nov 2021 Bifurcation is an Understatement, I can't remember a more diverse range in values. There are five companies worth >\$1T and trade on average at >7 times sales, with Meta (Facebook) and Nvidia close behind. Conversely there are 59 blue chips stocks in our model that trade

for less than 10 times estimated earnings for 2022. We call them "Sub-Tens."

Feb 2022: Bifurcation Reconciliation, The "Sub-Tens" outperformed since then and the high growth tumbled, starting the reconciliation phase. **Vroom, Vimeo, DocuSign, Cloudflare, Zillow, Teledoc, Palantir and Roku** and many others fell more than 50%.

March 2022 Geopolitical Risk, Something has got to break. Putin is gone, but will he go with a bang? How and when will Russian leadership change? Even if I try to imagine the best-case scenario, there is still more downside before things get better. The world would be safer if the Russian government was “neutered.” China will emerge the winner. Hold 10% cash.

April 2022: Pig in the Python, Interest rates are likely to be increased 5 times this year. The Fed has lost a lot of credibility for not understanding how the economy would react to Biden’s \$1.9T [American Rescue Plan](#), which passed in March. Employment surged and the Black Lives Matter protests evaporated. Higher wages are pulling product through retailers, where online sales have retained a higher market share.

Bifurcation Reconciliation Acceleration: Democrats have really screwed up and caused short term supply issues while saddling Americans with more debt. Markets don’t like that. Voters will take away the Democrat majority on Capitol Hill in the mid-term elections.

July 2022, Weekend at Biden’s US Government debt jumped to \$29T at the end of 2021 in part because of Biden’s \$1.9T rescue package. That caused a surge in demand (sugar high), contributing to inflation. The excess stimulus was a huge mistake, and the Fed should have raised rates while Biden was giving away money.

Oct 2022 Bear Market Markets trade at 15 because investors do not believe the earnings forecasts, and standard deviations of those estimates widened. The ten-year Treasury yield, rose to 3.89% because the Fed has unanimous resolution to keep raising rates to tame inflation regardless of recession risk. Oil continues to hold up the market.

Dec 2022 Bear Market Recession Ahead Higher interest is pounding home prices, causing a negative wealth effect. The rotation

back into value stocks is now complete and is likely to overshoot because fund managers follow trends. The ‘virtuous cycle’ has truly run its course.

During the year we sold Tyson and Amgen and bought defensive stocks such as Bayer, Activision, Medtronic and Altria. We also traded from Goldman into Citi.

Financials: Financials: Higher interest rates impact asset values, which is well known and understood. Long Term variable rate instruments are more volatile than 3 month treasuries for example. Office REITS such as SL Green and Vornado are more sensitive than the US housing market, which is dominated by 30year fixed rate mortgages, so homeowners are not hit with higher monthly expenses, unlike Australians. (Call me if you want to talk more about CAP rates for REITS). Silicon Valley Bank did not use deposits to make home loans, they bought liquid fixed interest products. Assets “held for sale” were market down due to higher interest rates, not a fall due to credit worthiness (unlike the situation in 2008). The Run on SVB was irrational fear, causing withdrawals to exceed SVB equity. The Fed should have stepped in earlier. Signature Bank had crypto exposure to the fall out of FTX. That was credit relevant risk, and they deserved what they got.

There were NO warnings this quarter from any banks! BankAmerica is down 16% this month, which is the most obvious fear trade I have ever seen. Because we doubled down on **Activision Blizzard** last month, cash balances in client accounts are minimal. I encourage you to sell some Australian banks, deposit money in your Fortrend account and make an opportunistic trade in **BankAmerica**, which fell 16% this month, or increase your exposure to **Citigroup**, which fell 10% this month.



CITIGROUP INC		\$ 46.89 Buy
Market Cap	\$	91,270 Mil
Sales Est 2024	\$	77,653 Mil
Profit Est 2024	\$	12,466 Mil
P/E Est 2024		7.1

Citigroup Inc. is a diversified financial service holding company that provides a broad range of financial services to consumer and corporate customers. The Company services include investment banking, retail brokerage, corporate banking, and cash management products and services. Citigroup serves customers globally.

Citigroup reports on April 14th, expect \$1.67, but there is a high Standard Deviation of 20 cents. I think they will beat because the benefit from higher interest rates.

Consumer Products: IFF is a B2B supplier to Food and Fragrance companies such as **Nestle, Unilever and LVMH**. They disappointed in Feb and EE23 continued to come down this month. They are getting squeezed in the supply chain.

Newall slashed last quarter due to “significantly greater than expected pullback in retailer orders and continued inflationary pressures on the consumer.” The stock keeps falling, down 14% this month.

ALTRIA GROUP INC		\$ 44.62 BUY
Market Cap	\$	79,672 Mil
Sales Est Dec 2024	\$	21,345 Mil
Profit Est Dec 2024	\$	9,015 Mil
P/E Est Dec 2024		8.6

Altria Group, Inc. is a holding company. The Company, through subsidiaries, manufactures and sells cigarettes and other tobacco products, including cigars and pipe tobacco. Altria holds an interest in a brewery company.

Altria was down 4% this month, but we received a 97 cent dividend, so that adds back about 2%. We are very disappointed in their interest to build a new smokeless product, I only want the cash flow from cigarettes. Still, 8% yield plus about 2% buyback gives us 10%/year, which is a solid investment.

Food stocks rose on average 4.3% this month, which was very surprising. There was no guidance in the sector. The best answer we have is that middle and lower income families are still spending. Tyson was flat this month, making us look even closer at getting back into that stock. We sold at 93 in March 2022. It is now below 60/share and is very tempting. Wait.

Media & Entertainment:

Dish, one of the smallest companies in the group, fell 16% and 024 estimates were cut by 33%. I will drop this company from out list because satellite dishes are becoming obsolete, and they were victims of a cyber-attack.

ACTIVISION BLIZZARD INC		\$ 85.59 BUY
Market Cap	\$	67,126 Mil
Sales Est 2022	\$	9,626 Mil
Profit Est 2022	\$	3,322 Mil
P/E Est 2022		21.2

Activision Blizzard, Inc. publishes, develops, and distributes interactive entertainment software and peripheral products. The Company's products covers diverse game categories, including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy.

We doubled down and that was a good move. The UK regulator said that Microsoft is not financial motivated to restrict Call of Duty to the Xbox. Sony’s argument against the merger with Microsoft took a big hit and Activation jumped. There is still about \$10 to be made, so hold this stock, or buy more if you have not already done so. 😊

WALT DISNEY CO/THE	\$ 100.13 BUY
Market Cap	\$ 182,920 Mil
Sales Est Sep 2024	\$ 96,332 Mil
Profit Est Sep 2024	\$ 9,820 Mil
P/E Est Sep 2024	18.5

The Walt Disney Company operates as an entertainment and media enterprise company. Business segments includes, media networks, parks and resorts, studio entertainment, consumer products, and interactive media. Walt Disney serves customers worldwide. CEO Bob Chapek took over in February 2020 and Employs 190,000 people, including LGBTQAINDEAREG+ (excluding S)

Disney was flat this month. They do not report until May 11th. Bob Iger is doing a great job. The Wall Street Journal reported “Walt Disney outmanoeuvred Florida Gov. Ron DeSantis in the battle for control over the more than 24,000-acre parcel of land near Orlando where Walt Disney World Resort is located.”

Pharmaceuticals

Viatrix fell 14%, so I am glad we finally sold. It was a reaction to comments by Democrats and Joe Biden that they want to cut budget costs by putting pressure on health care providers and drug prices.

MODERNA INC	\$ 153.58 BUY
Market Cap	\$ 59,232 Mil
Sales Est 2024	\$ 6,548 Mil
Profit Est 2024	\$ (1,382) Mil
P/E Est 2024	#N/A N/A

Moderna, Inc. operates as a clinical stage biotechnology company. The Company focuses on the discovery and development of messenger RNA therapeutics and vaccines. Moderna develops mRNA medicines for infectious, immune-oncology, and cardiovascular diseases.

Moderna reports on May 5th. Estimates tumbled because COVID is now a thing of the past. However, the stock rose 7% because their platform is promising in so many other areas.

In devices, both Waters and Baxter provided downward guidance, which gives us concern that Medtronic could disappoint.

Water’s cited the \$1.35B acquisition of [Wyatt Light Scattering](#) and the suspension of share buy back plans.

Baxter cited inflationary pressures, plans to consolidate business segments, cost cutting (including a 5% cut in head count)

MEDTRONIC PLC	\$ 80.62 BUY
Market Cap	\$ 107,259 Mil
Sales Est April 2024	\$ 32,277 Mil
Profit Est April 2024	\$ 6,990 Mil
P/E Est April 2024	15.3

Medtronic PLC develops therapeutic and diagnostic medical products. The Company's principal products include those for bradycardia pacing, tachyarrhythmia management, atrial fibrillation management, heart failure management, heart valve replacement, malignant and non-malignant pain, and movement disorders. Medtronic's products are sold worldwide.

Medtronic reports on May 25th. Their estimates have been slashed over the past few years. The stock price had fallen to reflect that. We sold on 26 August 2021 at the high of 134. We bought back in on 6th February this year at 86. The downside due to inflationary pressure is limited. The bigger risk is the timing for the next “Leap Frog” in their technology. We hope they are spending R&D money in projects that will pay us back.

Hotels & Restaurants. Hotels are up, as consumers mix business with pleasure, helping airlines as well. But Cruise lines are down. This reflects the high capital cost and the close quarters that a mostly older consumer is still avoiding.

Retail: is generally a little weaker as analysts start to factor in a higher probability of a recession.

Auto and Housing stocks are generally weaker with high interest rates driving up financing cost. Consumers are expected to become more cautious in spending, but the employment numbers have not turned down yet despite the Federal Reserve Bank’s aggressive talk and actions to cull jobs. Last year there was a shortage of cars due to a



shortage of semiconductors, but that supply chain issue was resolved and pent-up demand for new cars is now being met.

Technology: The growth stocks were the big surprise. We have some defensive stocks but maintain two growth stocks for 'later in the year when the Fed is done raising rates.' But the bank run caused markets to predict the Fed would have to reduce the pace of rate hikes, and that sent some growth stocks higher.

Internet stocks up on average 6.9% led by **Meta** +14%, **Alibaba** +14% (on break up) and **Alphabet** +11%

Semiconductors up on average 7.8% led by **Intel** +24%, **AMD** +20% and **Nvidia** +16% with no significant earnings guidance.

Software up on average 5.5% led by Microsoft +13%, Adobe +12% and Intuit up 9%.

Computers up on average 1.8% led by **Juniper** +12%, **Cisco** +6% and **Accenture** +6%.

Taking some short term profit in tech stocks that are outside the RV might be good timing.

ALPHABET INC-CL C	\$ 104.00 BUY
Market Cap	\$ 1,330,201 Mil
Sales Est 2024	\$ 297,375 Mil
Profit Est 2024	\$ 82,583 Mil
P/E Est 2024	15.5

Alphabet is a global technology company that designs and offers various products and services. The Company is primarily focused on web-based search and display advertising and tools, desktop and mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products.

Alphabet reports on 24 April. Wow, 15.5X24, that is a great deal.

QUALCOMM INC	\$ 127.58 BUY
Market Cap	\$ 142,252 Mil
Sales Est Sep 2024	\$ 43,549 Mil
Profit Est Sep 2024	\$ 12,432 Mil
P/E Est Sep 2024	11.2

QUALCOMM Incorporated manufactures digital wireless communications equipment. They license code division multiple access (CDMA) and orthogonal frequency division multiplexing access the intellectual property to other companies and produce CDMA-based integrated circuits, as well as equipment and software used to track workers, assets, and software for wireless content enablement.

QUALCOMM is expected to report on 5 May

BOEING CO/THE	\$ 212.43 Buy
Market Cap	\$ 127,283 Mil
Sales Est 2024	\$ 90,382 Mil
Profit Est 2024	\$ 4,138 Mil
P/E Est 2024	38.7

The Boeing Company, together with its subsidiaries, develops, produces, and markets commercial jet aircraft, as well as provides related support services to the commercial airline industry worldwide. The Company also researches, develops, produces, modifies, and supports information, space, and defense systems, including military aircraft, helicopters and space and missile systems.

Boeing reports on 27 April. They are doing great!

BAYER AG-REG	\$ 58.57 BUY
	In Euro's
Market Cap	\$ 57,541 Mil
Sales Est 2024	\$ 52,009 Mil
Profit Est 2024	\$ 7,617 Mil
P/E Est 2024	7.5

Bayer AG produces and markets healthcare and agricultural products. The Company manufactures products that include aspirin, antibiotics, anti-infectives, cardiovascular, oncology, central nervous system drugs, over-the-counter medications, diagnostics, and animal health products, as well as crop protection products, plastics, and polyurethanes.

Bayer reports on 11 May. We are very pleased with the performance to date. Noise from law suits in California has settled down.



Relative Value Model						
Sector	Company	Advice	Price	52 week	High/Low	P/E 2024
Financial	Citigroup Inc	Buy	46.89	40.01	54.56	7.1
Consumer Products	Altria	Buy	44.62	40.35	57.05	8.6
Food						
Media / Entertainment	Disney	Buy	100.13	84.07	139.26	18.5
	Activision	Buy	85.59	70.94	85.74	21.2
Pharmaceutical						
BioPharma	Moderna	Buy	153.58	115.03	217.25	NA
Hospital	Medtronic	Buy	80.62	75.77	114.31	15.3
Lodging & Restaurants						
Retail						
Automobile						
Housing						
Internet	Alphabet	Buy	104.00	83.45	144.04	15.5
Telecommunications						
Computers						
Semiconductors	Qualcomm	Buy	127.58	101.93	156.66	11.2
Software						
Aerospace Defense	Boeing	Buy	212.43	113.02	221.33	38.7
Elec. & Mfg Equipment						
Manufacturing						
Paper & Forest Products						
Chemicals	Bayer	Buy	58.57	46.70	67.99	7.5
Transportation						
Chemicals						
Metals						
Oil						

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