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MAY 12, 2023
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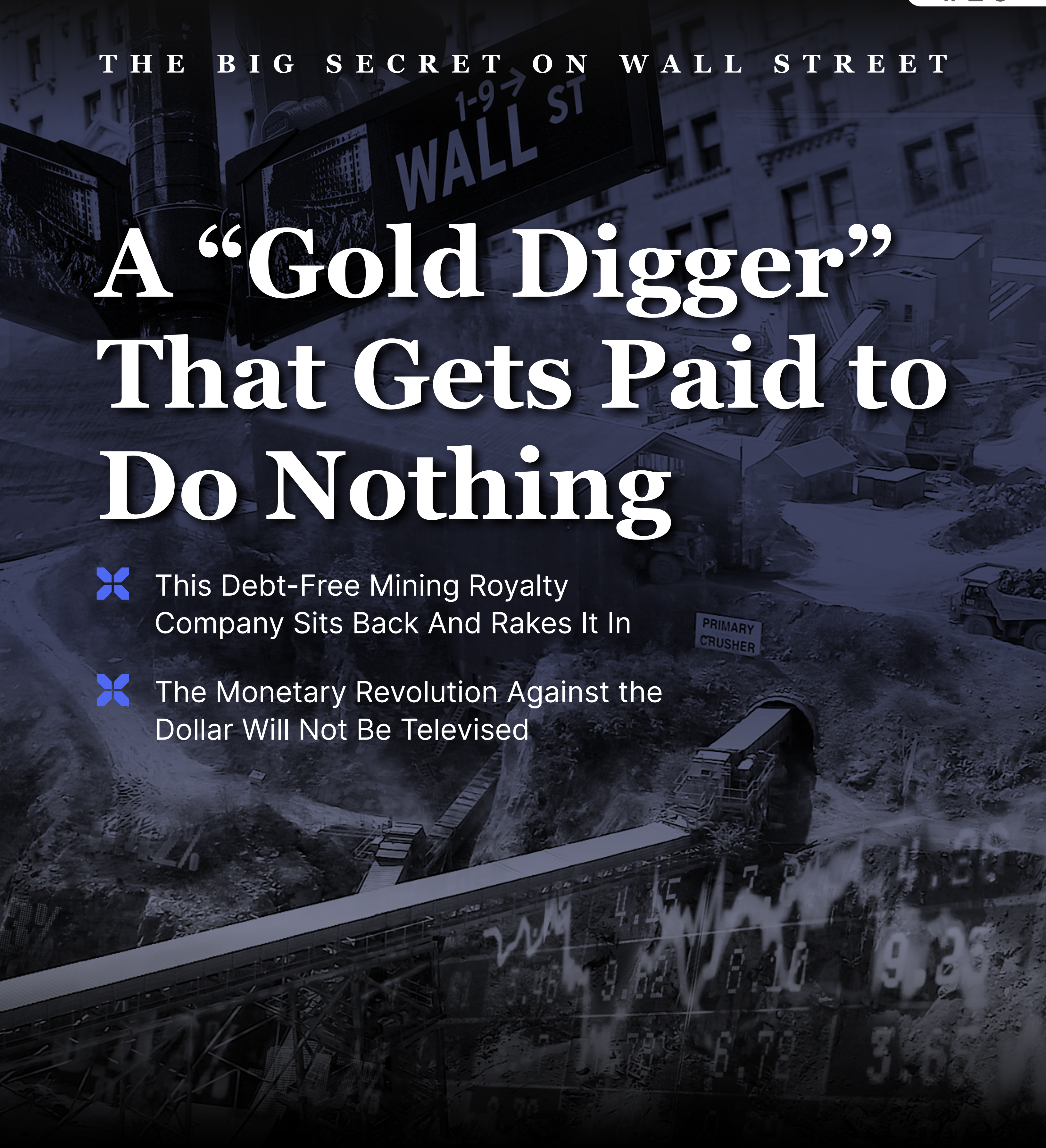
THE BIG SECRET ON WALL STREET



A "Gold Digger" That Gets Paid to Do Nothing

- This Debt-Free Mining Royalty Company Sits Back And Rakes It In
- The Monetary Revolution Against the Dollar Will Not Be Televised

FROM THE DESK OF PORTER STANSBERRY

A "Gold Digger" That Gets Paid to Do Nothing

This Debt-Free Mining Royalty Company Sits Back And Rakes It In

The Monetary Revolution Against the Dollar Will Not Be Televised

William Simon was on a secret mission.

And his famously vituperative boss – President Richard Nixon – had made clear that failure wasn't an option.

Simon, a former Salomon Brothers star bond trader, was no stranger to high-stakes pressure. But in his (inadvertent) role as Nixon's secret agent, failure meant a lot more than a losing trade or a ding to his bonus – because he'd be negotiating with a government that had no problem cutting off people's heads (or other body parts).

But it was far more than that: America's national economic security depended on a clandestine four-day layover Simon would be making in Saudi Arabia, in July 1974.

The story started in the '60s, when President Lyndon B. Johnson went on a **government spending spree**. He radically expanded U.S. government social programs, including Medicaid and Social Security, and then poured even more cash into the Vietnam War. By the early 1970s, all that spending had created an inflationary firestorm.

Watching from the wings, foreign governments like France and Switzerland got spooked.

As part of the Bretton Woods agreement in 1944 that formalized the U.S. dollar as the global reserve currency, foreign governments holding dollars had the option to redeem the U.S. currency for gold. And as the U.S. dollar lost its value in the wake of LBJ's spending – inflation broke above 2% in 1965 and went up in a nearly straight line to 6% by 1970 – they started cashing out... trading in pallets of dollars for bars of the yellow metal.

France was the first mover, announcing its intention to convert its U.S. dollar reserves for gold in 1965. In May 1971, West Germany exited the Bretton Woods exchange agreement. In June Switzerland redeemed $50 million in gold, and France withdrew $191 million in gold from the U.S. Treasury.

On August 15, 1971, LBJ's successor, President Nixon, announced that his administration would "temporarily" halt the convertibility of U.S. currency into gold, in order to "stabilize the dollar."

It didn't work. And (spoiler alert) it wasn't temporary.

Inflation soared from 4.4% in August 1971 to 12% December 1974, as the dollar continued its downward slide. Adding fuel to the inflationary fire, the Organization of Petroleum Exporting Countries (OPEC) – a cartel of Middle Eastern oil producers, led by Saudi Arabia, that at the time accounted for more than half of total global oil production – imposed an oil embargo on the U.S. and its allies for their support of Israel during the Yom Kippur war. The embargo sent oil prices up four-fold, and **caused a crippling oil shortage** and mile-long lines at gas stations around the country.

Without the backing of gold behind its currency, and rocketing oil prices, the U.S. economy went into free-fall. The economy contracted as inflation continued rising... and unleashed the sharpest decline in American living standards since the 1930s.

By July 1974, the stock market was in the midst of a 45% decline, with double-digit inflation and a 5.5% unemployment rate on its way to 9%. The dreaded "stagflation" was in full swing.

That's where William Simon – former bond trader, learning-on-the-job Uncle Sam bureaucrat, accidental secret agent – came into the picture.

Simon had left his $2 million-a-year job at Salomon Brothers in 1971 when Nixon tapped him to be Treasury Secretary. At the time, Simon didn't know that the position came with certain... extra duties.

At the height of "stagflation," Nixon sent William Simon to Europe and the Middle East to press the flesh with the heads of governments.

But a four-day layover in Jeddah, Saudi Arabia, wasn't on the official agenda. There, Simon had a straightforward but definitely not simple task: *create the modern-day petrodollar system.*

You likely won't hear the petrodollar system discussed on "Morning Joe." But it's been at the center of both global economics and American foreign policy for the past half century...

Since the U.S. Treasury could no longer back the dollar with gold, Nixon wanted it to be supported by something almost as valuable in the industrialized world: oil. If oil was available from the world's biggest oil producers only in exchange for greenbacks, there would be enormous sustained demand for the U.S. dollar.

Simon had to convince the Saudi king to exclusively accept U.S. dollars for payment in crude oil – and to push for the same "dollarization" of the oil trade among other OPEC nations.

The second key part of the deal would entail Saudi Arabia funneling its dollar profits back into U.S. Treasury bonds – providing a critical source of financing for ballooning U.S. deficits.

In exchange, America would supply Saudi Arabia with advanced weapon systems, and provide a de facto security guarantee in an implicit military alliance.

Simon left town with his body parts still attached. And it wasn't long before the Saudis started to take only U.S. dollars for oil – and recycling their profits into U.S. Treasuries. By 1977, one out of every five foreign-owned Treasury bonds was held by Saudi Arabia. The rest of OPEC followed Saudi Arabia's lead, further fueling demand for dollars.

The 1970s stagflation officially ended in 1980, when inflation peaked at 14.6%. And thanks in no small part to the global dominance of the U.S. dollar, the American economy – albeit with bumps along the way – thrived: From 1980 through last year, the size of the American economy grew roughly eight-fold (in current U.S. dollar terms), to just over $25 trillion.

But the marriage of convenience that Simon brokered is coming under unprecedented strain. And the pressure on the petrodollar is an underappreciated but vital element of the slow unraveling of the dollar's dominance… fueled by – we've seen this movie before – inflation and the anticipated collapse of a debt bubble.

The Fed Has No Choice – It Must Restart The Money Printer

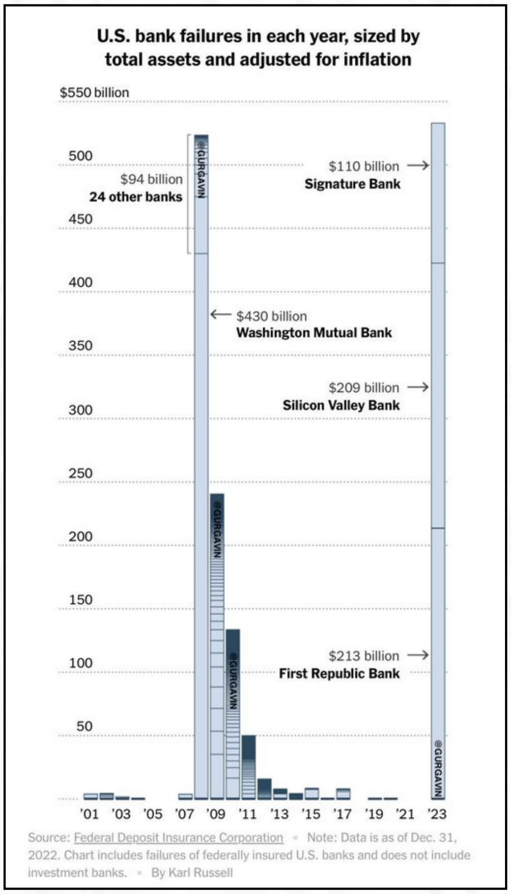
The last decade of zero percent interest rate policy (ZIRP) has infected the American and global financial system with trillions of dollars in assets that only work at rock-bottom interest rates. That is… the meager rates of return on investments made with free money are no longer sufficient in a higher interest rate (and inflation) environment.

As we wrote on March 15, in **The SVB Crash Was Just The First Domino**:

> *"… regulators spent the last decade safeguarding against every possible downside scenario, except the one that actually happened: trillions of dollars*

of low-yielding assets running headlong into a sharp rise in interest rates."

The era of ZIRP filled the global financial system with ticking time bombs, and at today's higher interest rates, the countdown clock has only a few seconds left. Several large dominoes have fallen since our warning two months ago, including Credit Suisse and First Republic Bank. In the U.S. alone, the size of bank failures so far this year has already exceeded total collapses in 2008, when measured by bank assets and after adjusting for inflation:

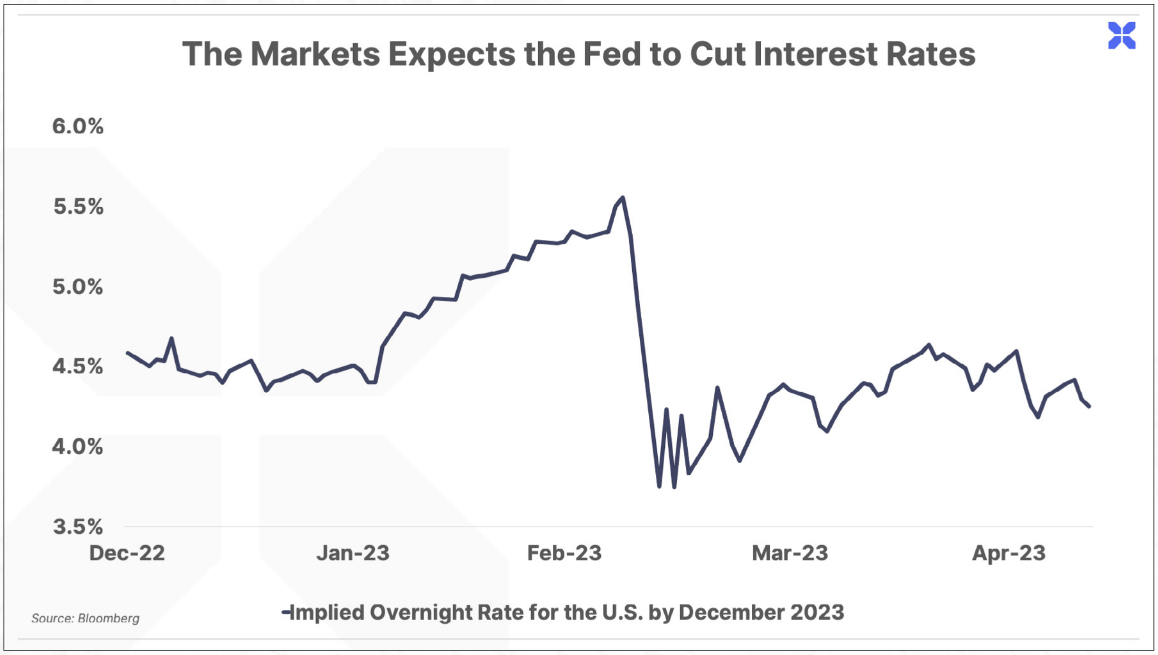


And there's more to come. According to banking expert and Stanford University academic Amit Seru, almost half of America's nearly 5,000 banks have exhausted their capital buffers (i.e., the amount of shareholder capital available to offset losses in bank loan portfolios). As Seru recently warned in an interview:

> *"It's spooky. Thousands of banks are underwater... Let's not pretend that this is just about Silicon Valley Bank and First Republic. A lot of the US banking system is potentially insolvent."*

Unless central banks and policymakers are willing to deal with a major credit crash, all roads lead back to lower interest rates and more money printing. Federal Reserve Chair Jerome Powell maintains that the Fed has no plans to cut rates in 2023, even if inflation reaches the Fed's 2% target (compared to the current 4.9% annualized rate).

But the market is betting that easy money will return in short order. The chart below shows the recent trading history of the implied Fed Funds rate for December 2023, which shows that traders first started pricing in rate cuts in the wake of the **SVB collapse** in mid-March. The market now expects the Fed to cut interest rates by 75 basis points (or 0.75%), from 5% today, to around 4.25% by December 2023:



Despite Powell's public commitment to keep rates "higher for longer", the market is telegraphing a clear message: the first round of bank failures kicked off by SVB was not an isolated event; it was just the start. And as the financial fallout continues, the Fed will be forced to slash interest rates to bail out the banking system, by re-inflating their underwater bond and loan portfolios.

We expect similar pressure on foreign central banks, which created the same fundamental problems plaguing the U.S. financial system after a decade of ZIRP – trillions of dollars in capital allocated at rock bottom yields, which has become impaired in today's higher interest rate environment.

That's why all roads lead back to the only solution: the return of cheap credit and money printing.

Bitcoin's 80% rally so far this year, and gold approaching new all-time highs, reflect the market pricing in this inevitability.

Looking beyond financial speculators, foreign central banks also appear to be betting on a future of fiat currency debasement. In 2022, global central banks went on a record gold buying spree, in what can best be described as the ultimate hedge against their own failed monetary policies.

During previous easy-money eras, including the past decade of ZIRP, the U.S. dollar was able to do a better job of retaining its global purchasing power thanks in part to the petrodollar system – which allowed America to flood the world with excess currency, without suffering the inflationary consequences. Until now.

A Sharp Veer Away from the Petrodollar

William Simon flew out of Saudi Arabia in 1974 with his neck intact, but in 2018, Saudi journalist Jamal Khashoggi **wasn't so lucky**. As we **explained in the inaugural issue of The Big Secret on Wall Street**, Khashoggi suffered a gruesome beheading under the supervision of Saudi Arabia's Crown Prince Mohammed bin Salman.

On the 2020 campaign trail, Joe Biden publicly proclaimed that Saudi Arabia should be labeled a "global pariah" for its role in Khashoggi's death… and since then, America's relationship with the Saudis has taken a sharp turn for the worse.

Since last October, Saudi Arabia has rebuffed President Biden's calls for OPEC to increase oil production – and has instead *cut* production, twice. In February 2023, Saudi Arabian leader Crown Prince Mohammed bin Salman point-blank refused to take a call with Biden.

And the deal that launched the petrodollar era is coming apart at the seams. Last month, the *Wall Street Journal* reported that Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, is "no longer interested in pleasing the U.S." and is pursuing an economic strategy "without U.S. dependence."

The breakdown extends to the oil-for-dollars angle of the deal too. On March 15, the *Wall Street Journal* reported that Saudi Arabia is considering selling oil to China for Chinese yuan – not dollars. Meanwhile, in response to the ongoing financial sanctions from Russia's attack on Ukraine, Russia is forging closer ties with China. Earlier this year, the yuan surpassed the U.S. dollar as the most widely used currency for trading in Russia.

China and Russia are working overtime to bring other countries into their sphere of influence. Malaysia became the latest country to join their ranks.

In April, Malaysian Prime Minister Anwar Ibrahim announced that "there is no reason to continue to depend on the U.S. dollar." That same month, Brazilian President Lula da Silva traveled to China, where he signed $50 billion in new cooperation and investment deals. During the trip, he also announced that de-dollarization is a key priority for the Brazilian economy. According to the *Financial Times*, Lula made the following comments:

> *"Every night I ask myself why all countries have to base their trade on the dollar? Why can't we do trade based on our own currencies? Who was it that*

decided that the dollar was the currency after the disappearance of the gold standard?"

This is the largest coordinated push against the U.S. dollar since the formation of the petrodollar system in the 1970s. Economist Gal Luft, director of the Analysis of Global Security think tank in Washington D.C., summed up the risks at play:

> *"The oil market, and by extension the entire global commodities market, is the insurance policy of the status of the dollar as reserve currency... If that block is taken out of the wall, the wall will begin to collapse."*

The bottom line: the U.S. dollar's value is facing a two-pronged attack: first, from the collapse of the ZIRP debt bubble, and second, from a coordinated foreign move away from the petrodollar.

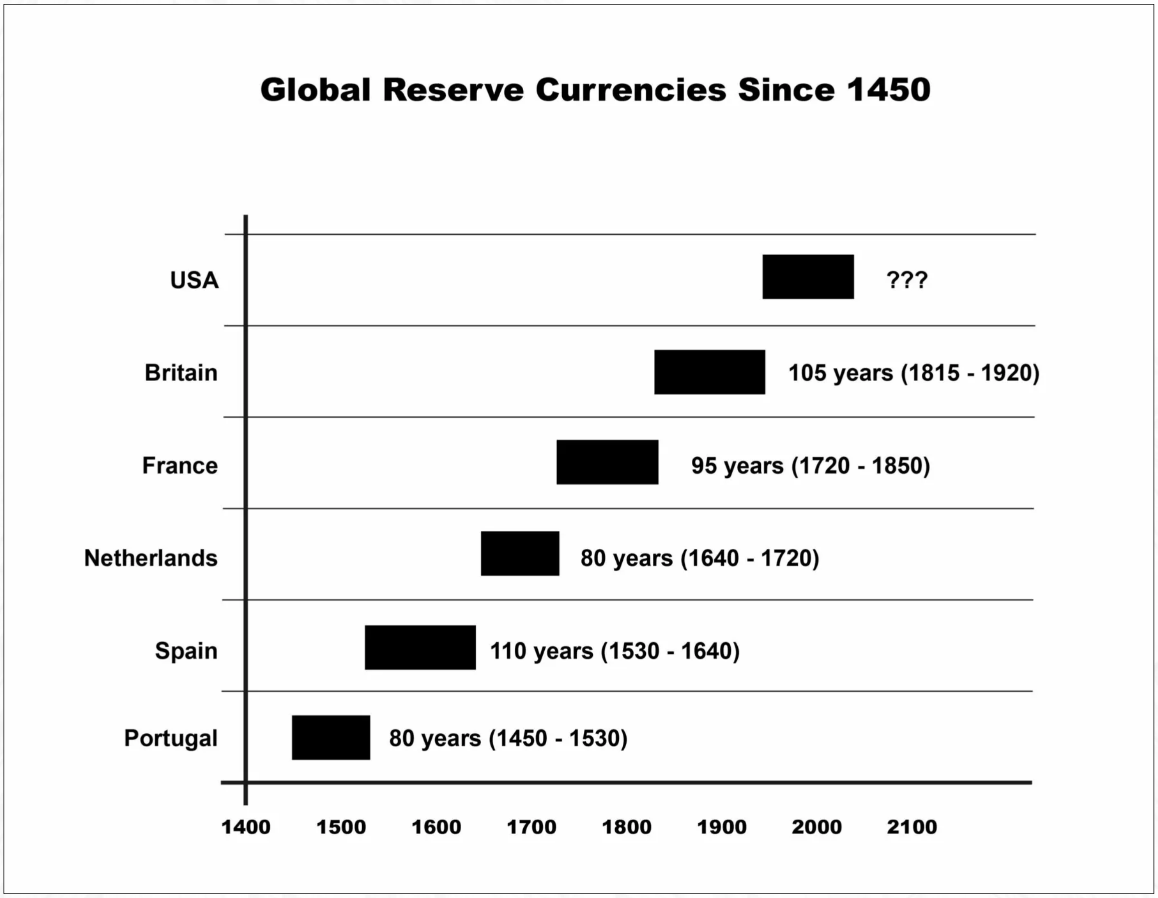
The mainstream financial media is mum on what is arguably the largest coordinated assault on the U.S. dollar since it became the global reserve currency after World War II. This monetary revolution will not be televised.

That's why we believe now is the time to safeguard your wealth from the demise of fiat currencies with the two ultimate stores of value: gold and Bitcoin.

An Insurance Policy Against the Demise of the Dollar

It makes sense for every investor to allocate some portion of their investable net worth into physical gold (coins or bullion) as insurance against fiat currency debasement and financial instability.

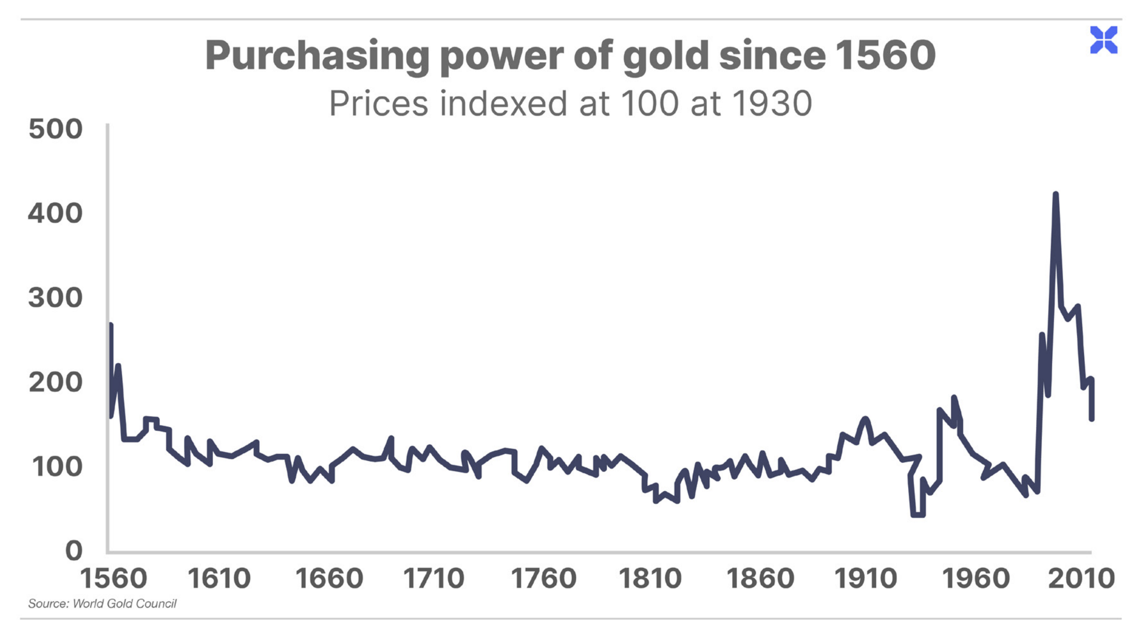
The history of fiat currency is unblemished by success. The following chart shows that the average lifespan for global reserve currencies is roughly 100 years.



The rise of the U.S. dollar to become the dominant currency in the global economy started soon after World War I. Its position at the top was solidified in 1944 with the Bretton Woods accord, which established the rules of the game for the global monetary system.

But now the U.S. dollar is in the final few innings, at most, of being the star pitcher in the global financial system. And let's not forget: the mighty dollar has lost more than 90% of its purchasing power, as measured by the U.S. consumer price index, over the past 80 years.

Gold, on the other hand, has a 5,000-year history of maintaining its value and preserving wealth.



Holding physical gold will preserve your wealth – but not grow it.

That's why we're introducing a business that transforms gold in the ground into a growing profit stream for investors.

We're not talking about a mining company. Like all forms of resource extraction, gold mining is generally a terrible business. Digging miles into the Earth to explore for and extract physical gold is capital intensive. A substantial portion of profits must go right back into the ground to keep production going, and to continuously replace the depleting asset base of existing mines.

Mining companies spend enormous sums on labor, capital, and finding new reserves – and that's money that *doesn't* go to shareholders. As Warren Buffett's long-time business partner and right-hand man Charlie Munger once explained...

> *"There are two kinds of businesses: The first earns twelve percent, and you can take the profits out at the end of the year. The second earns twelve percent, but all the excess cash must be reinvested – there's never any cash. It reminds me of the guy who sells construction equipment – he looks at his used machines, taken in as customers bought new ones, and says "There's all of my profit, rusting in the yard." We hate that kind of business."*

Charlie and Warren would love our pick today – a capital efficient gold company that outperforms both gold and gold mining stocks, offering the ultimate protection against fiat currency debasement.

"The Gold Investment that Works"

Franco-Nevada (FNV) is the leading gold royalty company, headquartered in Canada, in Toronto, Ontario.

We previously wrote about the energy royalty business model in **The Big Secret Behind T. Boone's Fortune**, where we explained how Viper Energy Partners (VNOM) provides upside exposure to higher energy prices, without the downside of tying up a lot of capital drilling oil and gas wells. And we've discussed a similar "asset light" model for real estate in **The Magic of OPM – Other People's Money**.

Like Warren and Charlie, we love businesses that generate money for shareholders without eating up cash for capital expenditures. FNV offers the same opportunity in the gold sector.

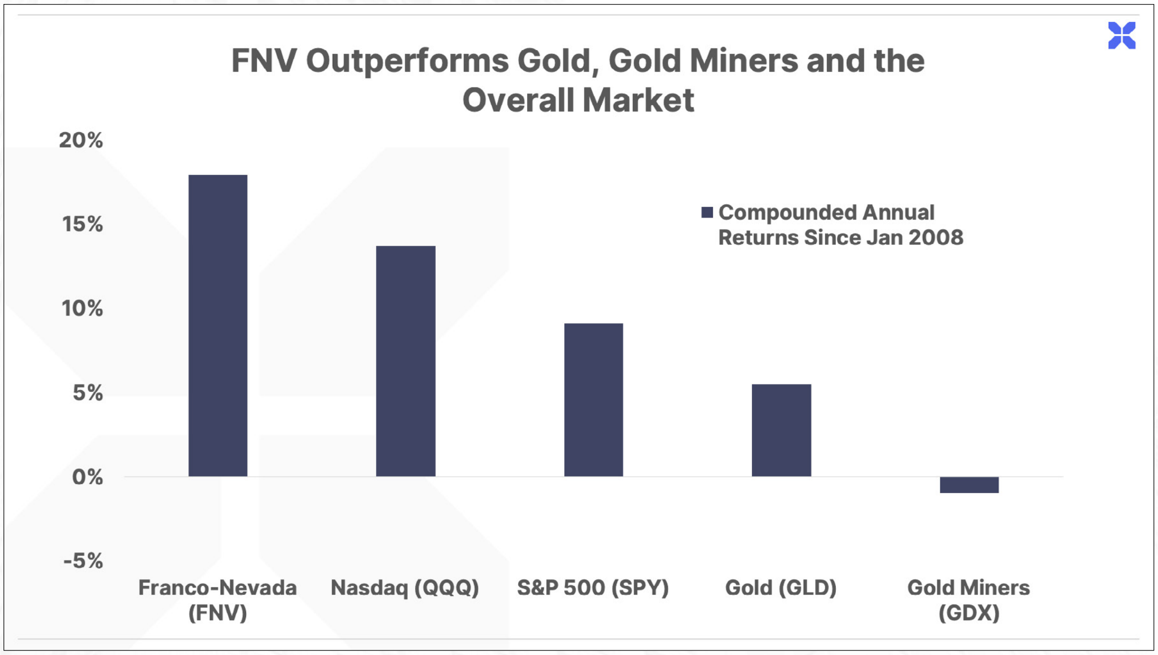
Instead of exploring and digging for gold, FNV provides financing for gold mining companies to do the dirty work of pulling metal out of the earth. In exchange for providing this capital, FNV earns a percentage of the mine's output, primarily through two primary deal structures:

Net smelter return (NSR) royalties, whereby FNV receives a percentage of the revenue generated from the sale of gold, net of the costs of smelting (i.e., refining gold ore into gold bullion).

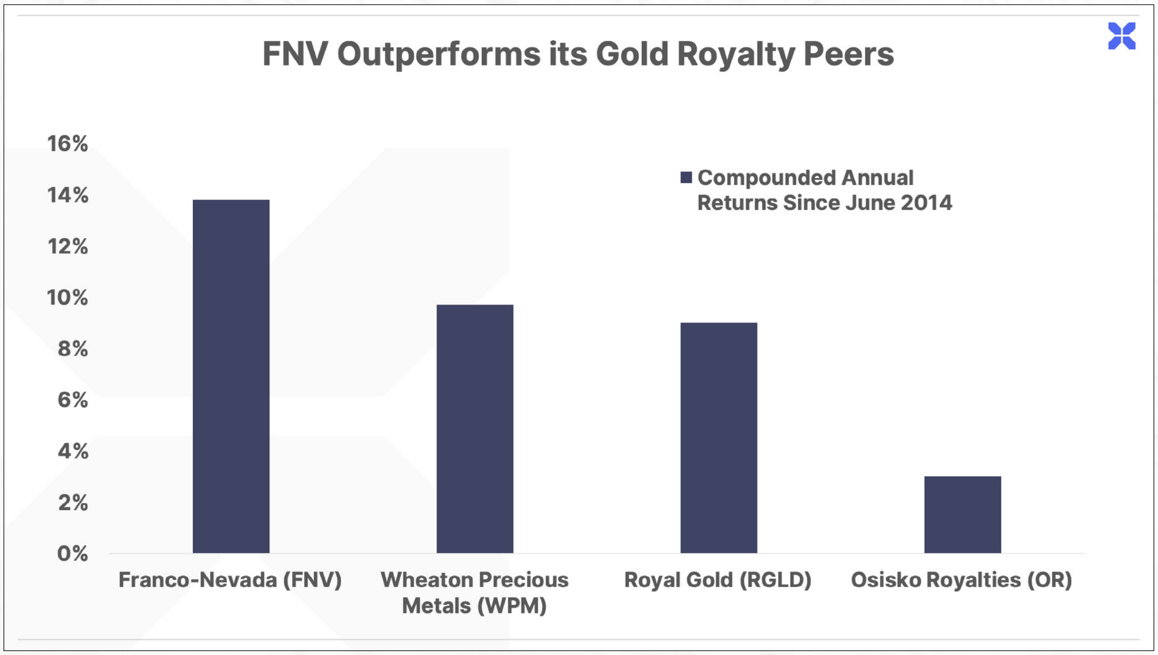
Streaming deals, in which FNV receives a percentage of the refined gold from the mine, which it can then sell at market prices (more on these deal structures below).

Since going public in January 2008, FNV has grown into the leading global gold royalty company, based on revenue and market capitalization. It has long-standing partnerships to provide royalty financing deals to the largest mining companies on the planet. This includes the top three global gold miners – Newmont, Barrick Gold, and Agnico Eagle – as well as the leading diversified miners including Glencore and Vale, along with dozens of smaller public and private miners.

The company's slogan is "the gold investment that works." Unlike most empty corporate slogans, FNV backs up this claim with performance. FNV shares have outperformed the overall stock market, generating compounded annual returns of 17% since going public in January 2008 – more than double the return of the S&P 500:



FNV also outperforms its fellow gold royalty peers, including Wheaton Precious Metals, Royal Gold, and Osisko Royalties since their common inception date as publicly traded companies in June 2014:



This performance is a testament to the extreme capital efficiency of FNV's royalty business model. Because – here's the best part – FNV works *without doing any work at all*.

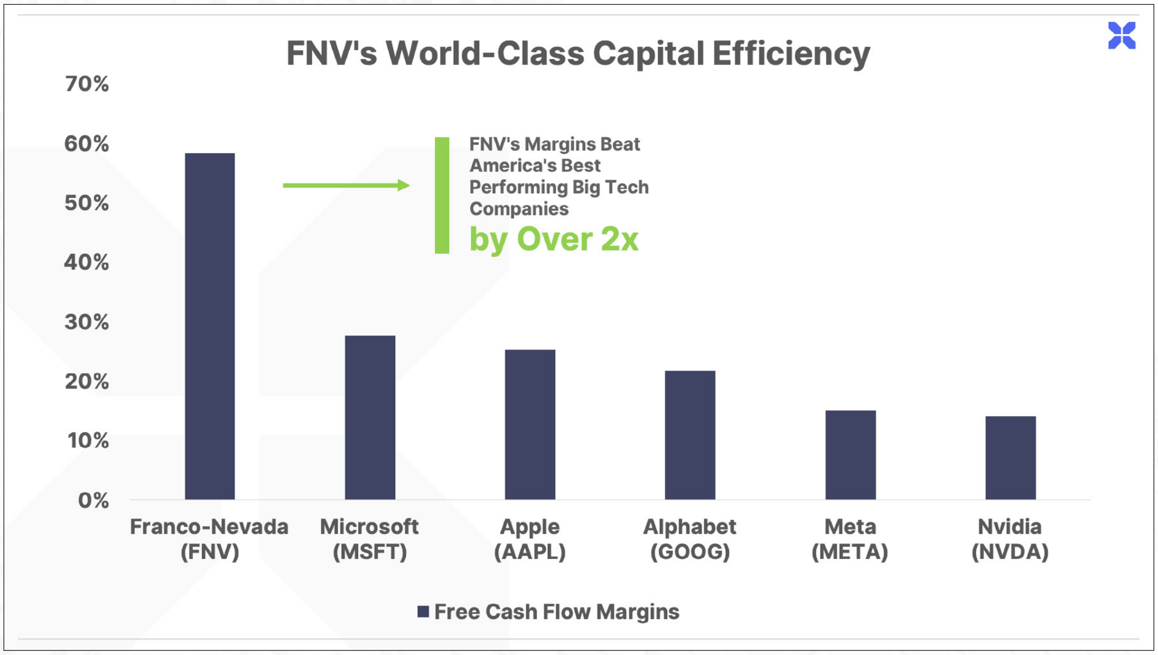
Franco-Nevada's World-Class Capital Efficiency

FNV is more like a bank than a mining company, which means it doesn't have to sink capital into expensive mining equipment, maintenance, and land claims... or into hiring geologists, engineers and mining operators.

FNV runs its entire business with just 40 full-time employees and 5 part-time contractors. With just those 45 employees, the company generated $1.3 billion in revenue last year and $652 million in net income. That's more than $14 million in net income per employee – making it one of the most capital efficient businesses in the world.

And unlike mining companies that must funnel most of their earnings back into the business through capital expenditures, FNV's capital efficiency converts a high percentage of revenues into free cash flow (the amount of cash flow available after subtracting out capital expenditures).

Last year, FNV generated $731 million in free cash flow, for a 58% free cash flow margin. For a frame of reference, that's more than twice the 27% free cash flow margins of Microsoft – one of the best businesses in the world – and also better than the rest of the mega-cap tech cohort that have led the market in recent years (it also beats the 7% free cash flow margins of the world's two top gold miners, Barrick Gold and Newmont).



The secret to success in the royalty business comes from having a management team that underwrites deals at the right price. FNV has a proven track record of striking deals with a wide margin of safety against downside price movements, while retaining unlimited upside to higher prices.

Here's how these deals work.

FNV's Deal-Making Prowess: Limited Downside, Unlimited Upside

In March 2021, FNV entered into a streaming deal with Southern Peaks Mining (SPM), a privately owned Peruvian copper miner. FNV paid $165 million in exchange for a two-phase streaming deal on the gold and silver production from SPM's Condestable mine in Peru, located about 55 miles south of the capital city of Lima.

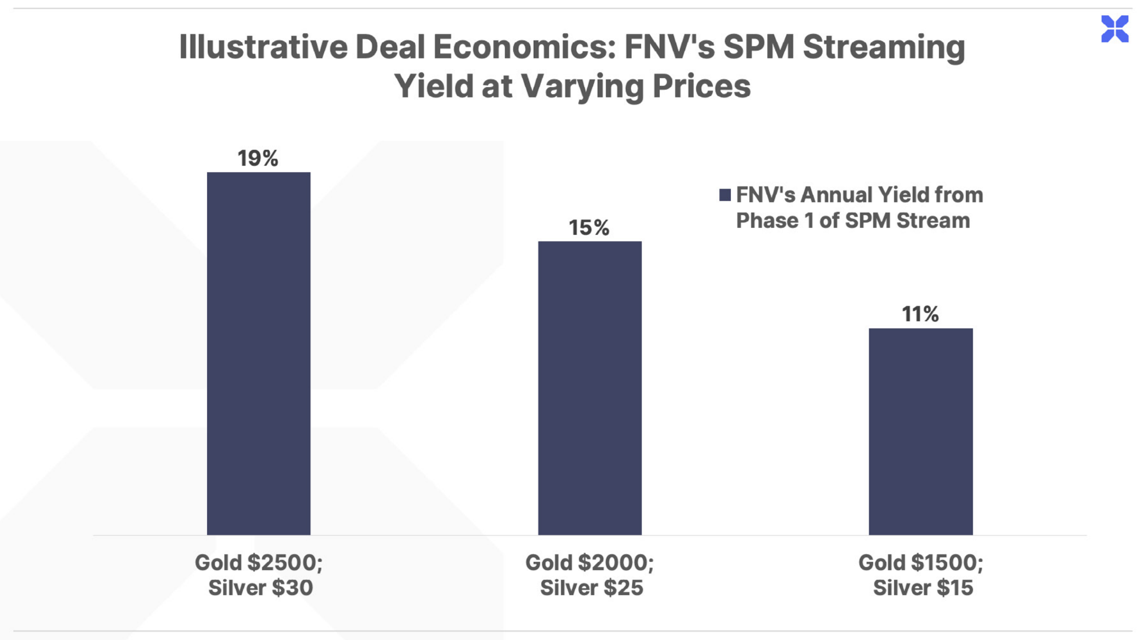
Condestable is the second-largest underground mine in Peru, containing rich reserves of copper, gold and silver. Copper is the main product, and gold and silver are byproducts – so SPM was willing to give up a portion of its gold and silver output in exchange for receiving financing from FNV.

In phase one of the deal, FNV will receive 8,760 ounces of gold and 291,000 ounces of silver each year until it receives a total of 43,800 ounces of gold and 1.45 million ounces of silver. After reaching these volumes, FNV then will receive 63% of total gold and silver production until it has received a total of 87,600 ounces of gold and 2.91 million ounces of silver.

Then, phase two of the deal kicks in, where FNV receives 25% of the mine’s gold and silver production in perpetuity, for which FNV will pay 20% of the spot price (i.e., 80% profit margins).

When FNV made this deal, gold was trading for around $1,700 per ounce and silver was trading around $25 per ounce. At these prices, the initial stream of annual profits from the phase 1 deal amounts to roughly $22 million, or a 13% yield. Since then, gold prices have increased to just over $2,000 per ounce, while silver still trades for around $25. At these prices, the initial annual profits FNV receives from phase 1 increases to $25 million, or a 15% yield. And in a bullish scenario where gold reaches $2,500 per ounce and silver trades for $30 per ounce, the annual yield FNV earns will increase to 19%.

Conversely, imagine a downside scenario where gold prices fall to $1,500 and silver falls to $15 per ounce. Based on these prices, FNV still earns a still-respectable 11% annual yield on its original investment.



Looking ahead, assuming prices average $2,000 per ounce of gold and $25 per ounce of silver through 2025, FNV will collect $248 million from phase one of the deal, or a roughly 50% return on its original $165 million investment. In a bull case scenario where gold averages $2,500 per ounce and silver averages $30 per ounce, FNV will receive $306 million from phase one of the deal, boosting its return to 86% on the original $165 million investment.

Phase one of the deal is designed to secure FNV's original investment, plus a healthy return, which FNV can then reinvest into other deals. From there, it retains a "kicker" in the form of the phase two royalty in perpetuity – which it owns at zero risk, after recouping its original investment plus a profit from phase one.

In the latest data available from SPM, the Condestable mine produced 11.4 million ounces of gold and 328,000 ounces of silver in 2021. A 25% stream on these volumes, assuming FNV pays 20% of spot prices and using $2,000 per ounce for gold and $25 per ounce for silver, translates into an annual profit stream of $6.2 million.

And keep in mind, FNV doesn't have to do *anything* to access these profits.

Based on the mineral reserves at Condestable, we can expect FNV to earn risk-free royalties from phase two for many years to come. As of the latest reserves report from 2021, Condestable had 28 million metric tons of proven and probable reserves (i.e., reserves that can be economically produced at current market prices).

Based on the current annual rate of ore recovery of 2.4 million tons, the mine has 11 years of proven and probable reserves. Plus, the mine also has an additional 30 million metric tons of "measured and indicated" reserves (areas that are yet to be developed). Based on history, SPM will likely develop these resources and add another 12 years of mine life.

Condestable is a long-life mine that has been producing since the 1960s. Since taking over the Condestable mine claim in 2013, SPM has grown the proven reserves at Condestable from 10 million metric tons to nearly 30 million metric tons.

Therein lies the final key to FNV's deal-making prowess. The company focuses on striking deals for mines that have many years of reserves, and partnering with best-in-class operators who have a history of developing these reserves.

A "Gold Digger" That Doesn't Have to Dig

The long-term history of FNV's portfolio shows just how deal-savvy the management team is when it comes to finding the right mines and the right operators to grow reserves over time. Rewinding back to when FNV first went public in 2008, the company had a $1.2 billion portfolio of assets with an average proven reserve base of more than 30 million ounces of gold.

Since then, that portfolio of assets has produced 45 million ounces of gold and generated $2.1 billion in royalties to FNV. And thanks to ongoing development and exploration at the mines which support those royalties, the reserve life of that same original portfolio has increased to roughly 70 million ounces as of year-end 2022, with no additional costs incurred by FNV:

Source: FNV Investor Relations

And that's where FNV's business model really shines. FNV strikes deals designed to recoup its original investment plus a double-digit rate of return, while retaining future upside in perpetuity.

Most importantly, this future upside comes at no additional cost to FNV – its mining company partners foot the bill. When these miners sink money into the ground to grow their reserve base, FNV simply comes along for the ride.

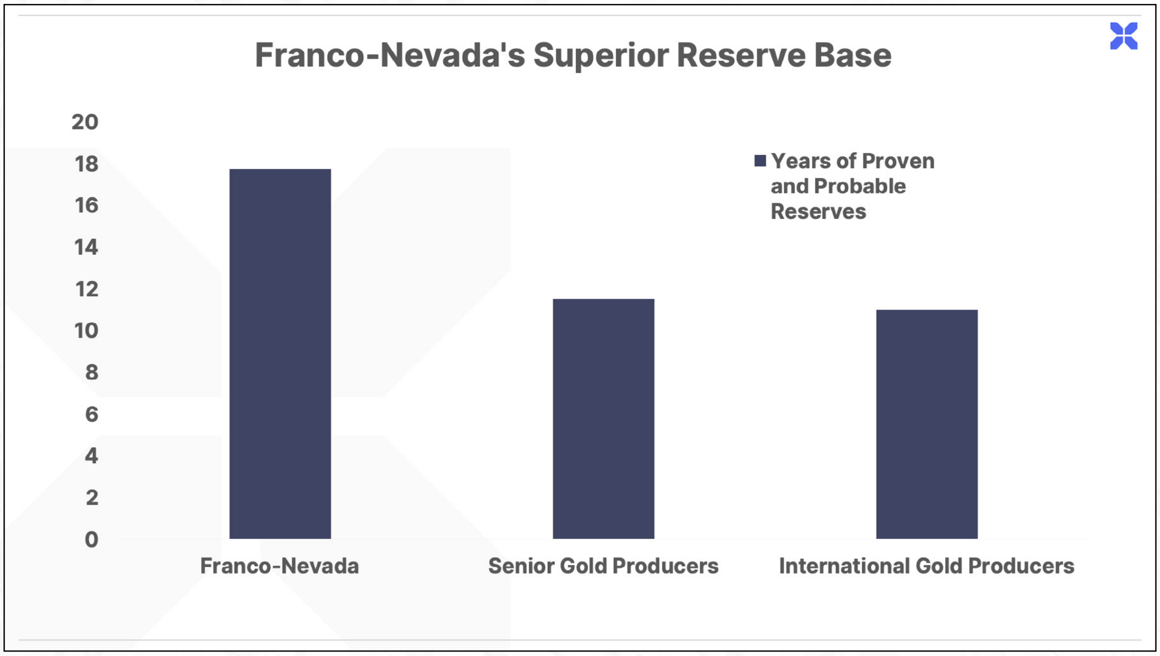
Today, FNV owns a portfolio of more than 100 producing assets. Some of the company's larger deals include:

$500 million royalty on the Antapaccay mine in southern Peru, which generated $95 million last year (19% yield), with a remaining potential mine life exceeding 30 years.

$655 million royalty on the Candelaria mine, in Northern Chile, which generated $126 million for FNV last year (19% yield), with a potential remaining mine life exceeding 25 years.

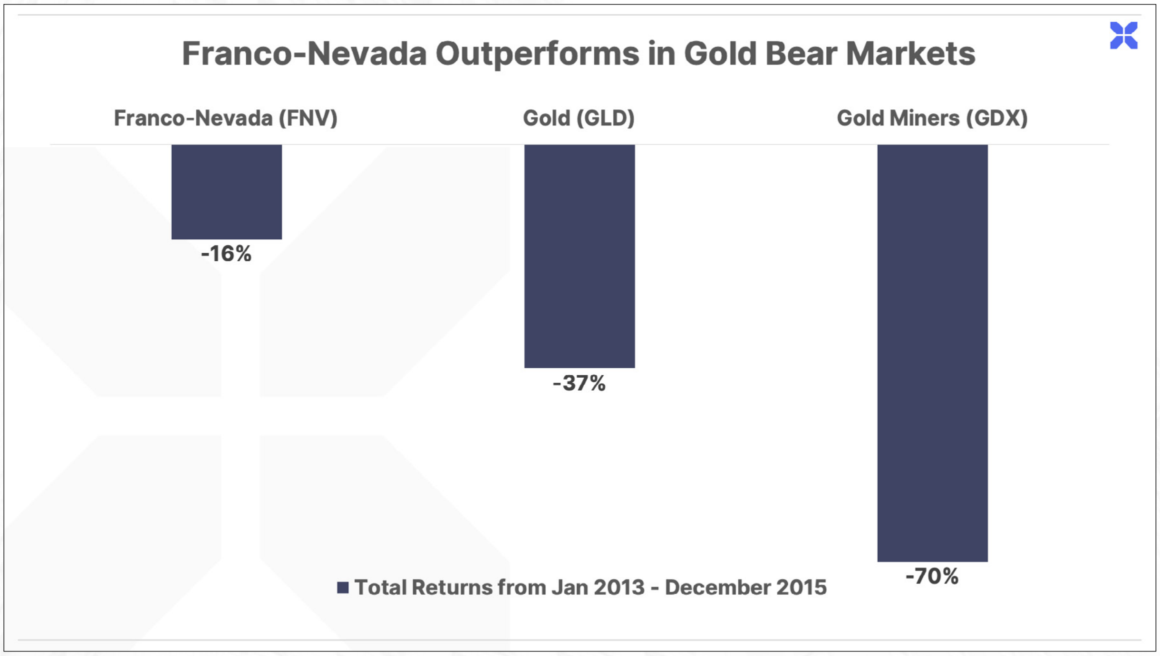
$1.36 billion royalty on the Cobre Panama mine, which generated $223 million last year (16% yield), with a remaining potential mine life exceeding 35 years.

This asset base will likely continue firing on all cylinders for many years, and continue growing over time. The table below shows that FNV has a longer mine life than its average gold mining peer, and also grows at a faster rate over time, despite "doing nothing."



The Lower-Risk Way to Invest in Gold

The other advantage of FNV's capital-efficient royalty model is that it protects against the downside. During the previous gold bear market from 2013 - 2015, FNV suffered losses of just 16% compared with a 37% decline in gold prices and a 70% drop in gold mining shares:



The reason for this outperformance in gold bear markets traces back to capital efficiency.

The biggest input cost for miners is labor. When gold prices fall, workers don't take kindly to pay cuts. Thus, in bear markets, gold miners get squeezed when their operating costs remain elevated, and gold prices fall. FNV, on the other hand, continues receiving its share of the gold produced, no matter how low gold prices go. (We're reminded of the legal protection that **bondholders** enjoy.)

Consider the change in net income for FNV versus two world-class gold miners, Newmont and Barrick Gold, during the previous bear market in gold. From 2012 to 2015, Barrick Gold's net income fell by 99% while Newmont suffered a 97% decline in profits. Meanwhile, Franco-Nevada's profitability declined by a relatively modest 51%.

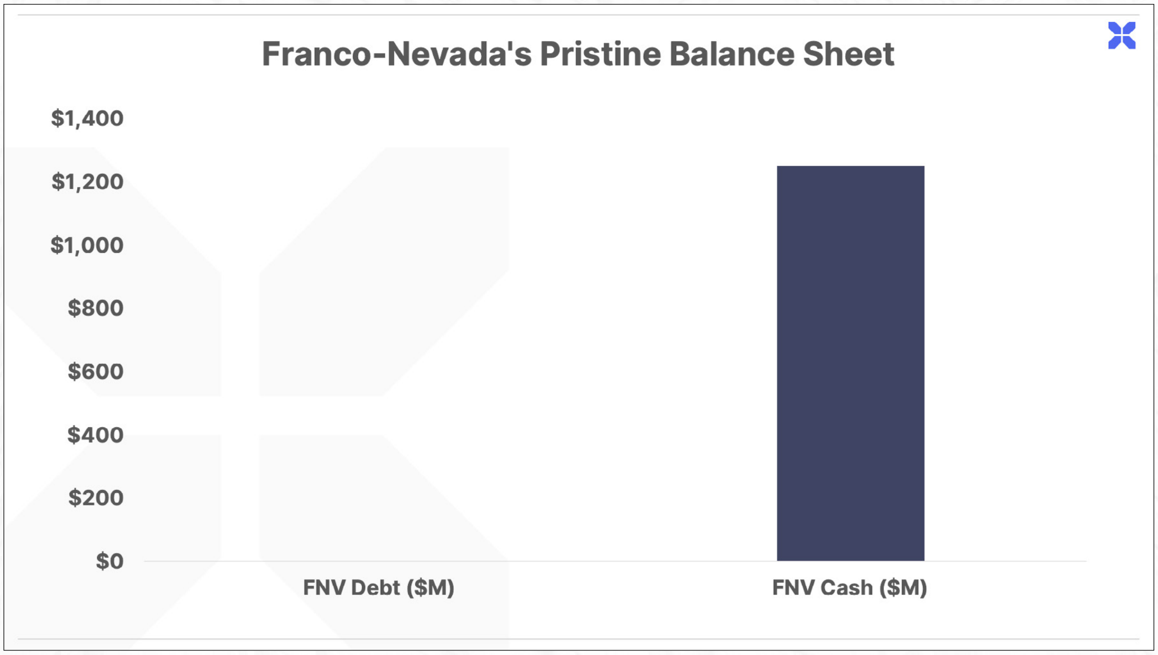
The same factors work in FNV's benefit during bull markets, when input costs for fuel, equipment, and labor rise during periods of high inflation. In 2022, gold prices rallied back to 2012 levels approaching $2,000 per ounce, but during the same time, miner Newmont's profits remained 63% below 2012 levels and Barrick Gold's profits were 21% below 2012 levels.

FNV, on the other hand, earned 329% more last year than it earned in 2012.

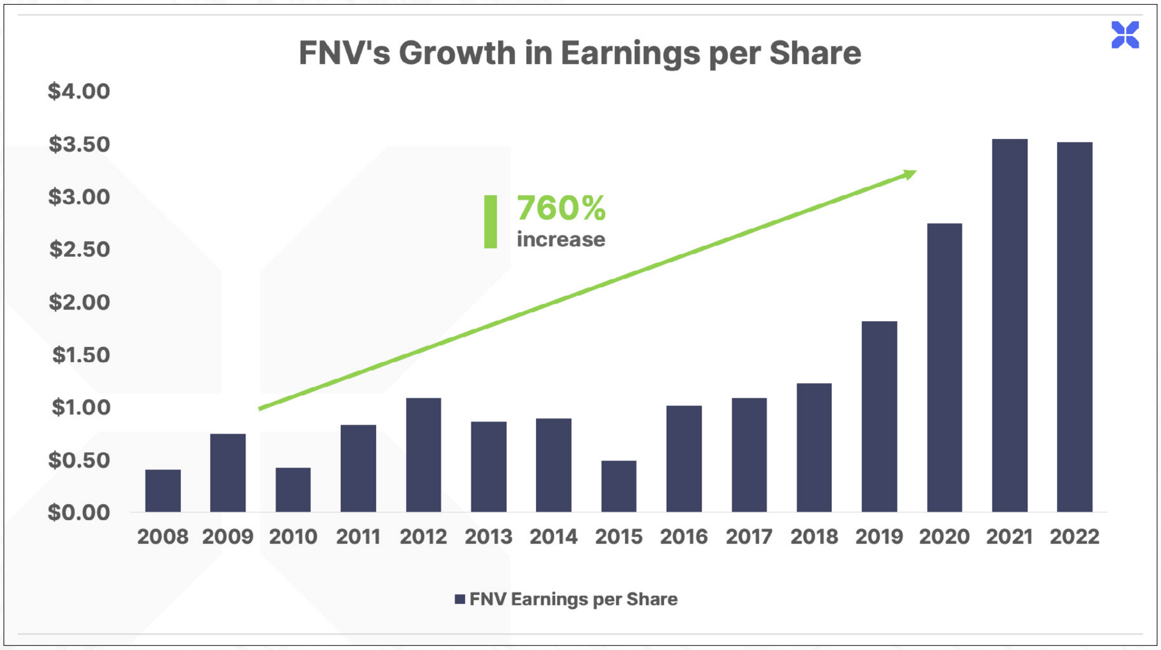
So while FNV takes a modest hit from lower gold prices, it doesn't suffer the same kind of margin contraction that miners incur during bear markets. And on the upside, FNV emerges from bull markets with substantially higher profits versus its mining peers.

The final downside protection in FNV's capital-efficient business model comes from the company's ability to fund most of its growth through free cash flow, which means avoiding the risk of taking on excess debt.

For most of its history, FNV has maintained a pristine balance sheet, with very little debt and lots of cash. Today the company has zero debt and $1.25 billion of cash on its balance sheet.

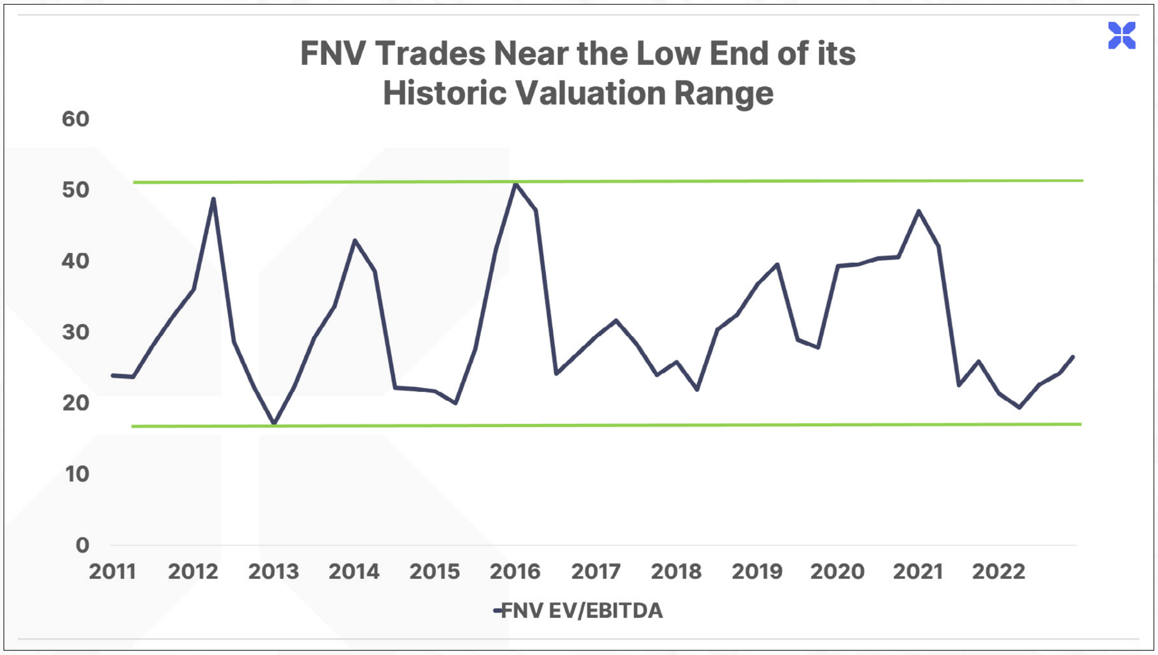


When FNV raises capital to accelerate growth, it typically issues shares. Since going public in 2008, FNV has increased its share count by roughly 90%, from 100 million to 191 million shares outstanding as of year-end 2022. And the return on that capital raised has been spectacular... over the same time period, the company's net income has increased 16-fold, resulting in earnings-per-share growth exceeding 700%:



Looking ahead, we expect this earnings trajectory to continue, based on our view of higher gold prices, as well as FNV's ability to continue making great deals at the right mines with the right partners.

Despite FNV's earnings power and gold prices approaching all-time highs, the company's current valuation is attractive at just 25x enterprise value (i.e., the sum of equity and debt) relative to EBITDA (earnings before interest, tax, depreciation and amortization). This 25x multiple is near the low end of its historical range of 20 – 40x:



FNV offers the ultimate form of insurance against the growing risks of U.S. dollar devaluation. The company's world-class capital efficiency, and deal-savvy management team, allows investors to protect wealth *and* grow it over time.

Action to Take: Buy shares of Franco-Nevada (FNV) up to $170 per share

Given FNV's pristine balance sheet and resilient business model, we are assigning this recommendation with a risk rating of 2.

In addition to gold, we also believe investors should have exposure to Bitcoin as an alternative store of value and insurance against fiat currency debasement.

The Decentralized, Digital Money

Instructions for Buying Bitcoin:

We've put together a guide on how to buy Bitcoin. **View it here.**

Unlike gold, where supply increases based on demand and prices (on average, global gold production increases by about 2% each year) the Bitcoin protocol places a hard cap on supply – ensuring that no more than 21 million coins will ever be created. Today, there are roughly 19.4 million Bitcoins in circulation or held in storage. This means only 8% more Bitcoins can be added into the total global supply pool… forever.

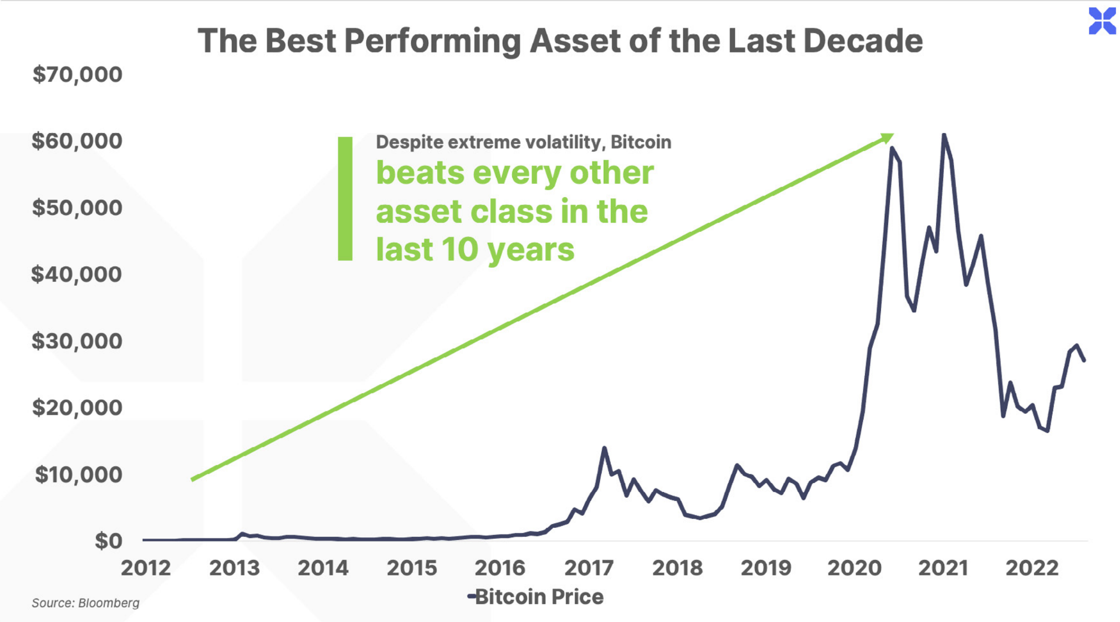
So as demand increases, the only way people can get their hands on more Bitcoin is by paying ever-higher prices.

This makes Bitcoin the ultimate deflationary currency, allowing your purchasing power to increase in real terms at a faster rate than gold, all else equal.

Bitcoin is much more than just a store of value. It's a decentralized, digital monetary network that allows seamless monetary transfers around the globe with the click of a button. It's a peer-to-peer transfer mechanism, which means it exists outside the scope of governments and central banks, making it arguably the most legitimate international reserve currency.

Bitcoin was first defined in an anonymous whitepaper published on October 31, 2008, in the wake of the Great Financial Crisis. The document laid out the dire need for a globally available, decentralized and non-inflationary currency.

The solution came in the form of the Bitcoin network, which was launched as an open-source software protocol in 2009. Bitcoin registered its first series of transitions at pennies on the dollar, and went on to become the best-performing asset class over the past decade – fueled by the record volumes of global monetary expansion during the last decade:



Bitcoin also offers the advantage of storing a virtually unlimited amount of value on a decentralized public ledger. This reduces the risk of forced search and seizure by criminal elements (including governments, as Bitcoin is not controlled by any government or central authority). It's the high-tech (and much safer) version of burying your money under the old oak tree.

That makes it immune from currency devaluation and eliminates the silent theft of purchasing power through inflation that plagues sovereign currencies.

If the global economic structure collapsed, along with property rights, the social fabric, and the rule of law, anyone sitting on a large pile of physical gold or foreign currency would have a hard time escaping with their wealth intact.

Bitcoin allows an escape hatch. An individual could transfer millions of dollars of fiat currency into Bitcoin, memorize their unique address on the blockchain, and cross the border with their wealth intact and undetected.

Of course, that's an extreme scenario (for now, anyway). The bottom line is that we don't buy into the view that investors must make a choice between betting on gold or Bitcoin. We believe both offer unique benefits for investors.

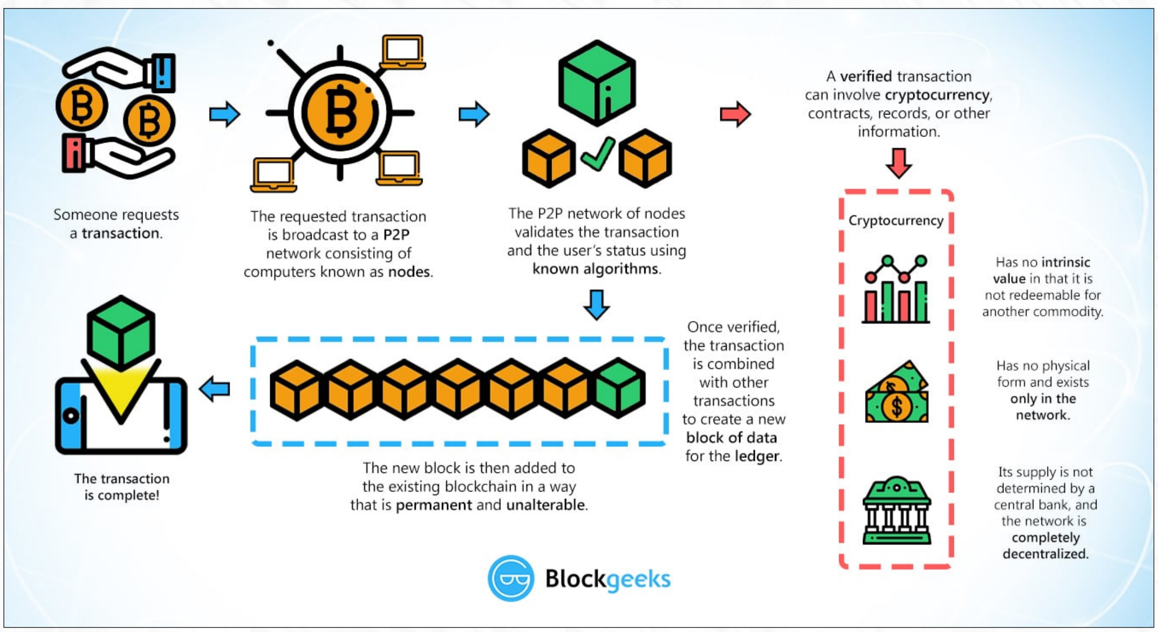
Why Bitcoin Is Like Electronic Gold

Unlike fiat currencies, Bitcoin runs on software – not decrees from central bankers and governments.

Every Bitcoin transaction is digitally encrypted onto a decentralized network, known as the blockchain. The blockchain is essentially a public ledger, maintained through a network of thousands of "nodes". At each node, high-powered computers – known as miners – keep track of every Bitcoin transaction. These miners compile real-time Bitcoin transactions into data blocks.

When a given data block fills up, the miner adds it to the pre-existing block series. This process forms a chain of continuous transaction blocks, hence the name "blockchain".

Here's a diagram showing how individual transactions get added to the Bitcoin blockchain:



Blockchain is a revolutionary application of computer science, cryptography, and technology.

The Bitcoin blockchain is a global, autonomous, anonymous, and self-regulating network that acts as the ultimate reserve currency for the digital age.

It's the global network's version of gold: an immutable and timeless form of fixed value. But, unlike gold, Bitcoin's fixed value isn't correlated to increases to industrial productivity. Instead, it's tied to the far more rapid productivity gains of computers.

How is that possible?

Well, in exchange for lending their computing power to the Bitcoin network, Bitcoin miners are rewarded with entries into a lottery for each data block they create. That's the incentive inherent in the system. Just like gold miners were rewarded in an unpredictable way for their mining, Bitcoin miners are eligible – but not guaranteed – to receive a Bitcoin for each block they process. This is the fundamental "proof of work" that creates the intrinsic value of a Bitcoin.

When the Bitcoin price goes up, more miners can afford to mine. When the Bitcoin price goes down, fewer miners can afford to mine. However, the number of coins awarded in each lottery remains the same – no matter how many different miners are in the lottery.

In this way, it's similar to gold mining: your efforts aren't guaranteed to pay off and, the more people that are trying to produce "gold," the lower the average return for all miners.

This system creates economic incentives to mine more coins when they're "dear" and to stop mining when they're "cheap." Over time, this helps to cement Bitcoin's intrinsic value to its cost of production – which is exactly how the gold price works, too.

So, why are we so sure that Bitcoin's price will move higher?

Over time, the number of coins awarded in each lottery declines. It's called a "halving." One happens about every four years, to match the growing productivity of computer power. The next halving is coming in April 2024.

What this means is – just like gold became progressively more scarce (and thus more difficult to mine) at about the same rate of improvements to industrial technologies – Bitcoin will become scarcer, and more difficult to mine, at about the same rate of the improvement of digital technologies.

As a result, existing Bitcoin will increase in value, because the "proof of work" that underlies the value of each coin will be progressively more valuable relative to paper currencies – just like an ounce of gold held its value over the past 500 years.

In this way, Bitcoin mimics the gold standard. Gold mining has become progressively more difficult and expensive over time, as the industrial revolution and new discoveries eliminated many sources of gold. Today, as computing power increases dramatically through time according to Moore's Law, Bitcoin is designed to become progressively more difficult to mine. Thus, Bitcoin is designed to match increases in computer power, in the same way that the Earth's natural geology caused gold's relative scarcity.

Bitcoin's "productivity curve" isn't predicated by industrial (mining) technologies, but instead by advances in digital technologies. Bitcoin is a currency that's designed to be stable relative to developments in computing. And that means its value has soared relative to other currencies.

It's Bitcoin's relative stability compared to computing power that makes Bitcoin the ultimate candidate for global reserve currency. It is a neutral asset that exists outside the realm of sovereign governments and banking cartels. It's a form of money that, like gold, has evolved from technology and from the desire of people to have a safe store of value that's easy to store, easy to transport, easy to divide, and will never lose its intrinsic value.

Bitcoin is the people's money. And more people are using it each day.

Action to Take: Buy Bitcoin up to $35,000

If you need help buying Bitcoin, check out our "How to Buy Bitcoin Guide" **here**!

Given Bitcoin's extreme volatility, we are assigning this recommendation with a risk rating of 4.

Porter & Co.

New to the Porter & Co. Portfolio? Start With Our Top 3 "Best Buys" Today

The goal of Porter & Co. is to bring you world-class investment research, focused on "inevitable" businesses that you can buy and hold forever. This is the surest and safest path to building permanent wealth. While we don't believe in timing the market, we do keep a constant eye out for bargains. In each edition of *The Big Secret*, we highlight three current portfolio picks that are at an attractive buy point. In addition to today's recommendation, we suggest you start with these:

1. **Saba Capital Income & Opportunities Fund (BRW)** is a hedge fund-style investment vehicle run by **The Man Who Almost Took Down J.P. Morgan** and one of the best fund managers on Wall Street – Boaz Weinstein. This investment vehicle is a closed-end fund with two primary investment objectives: high levels of income and capital appreciation. The fund is credit-focused and has outperformed its benchmark, the iBoxx USD Liquid High-Yield Index, by 23% since Weinstein began managing the fund in June 2020. BRW yields 13.5% today, and offers upside from the distress we see hitting the U.S. debt market in the months ahead. Given Weinstein's specialty in navigating the booms and busts in financial markets, and his specialty focus on credit investing, BRW provides a great vehicle for investors to profit from the distressed debt environment we see coming, as well as an attractive yield. It's trading at an attractive price of $7.90 per unit, or a 10% discount to its net asset value of $8.72 per unit.
2. **Credit Acceptance Corp (CACC)** is a leading subprime auto lender, which we call the **Goldman Sachs of White Trash**. The business of making subprime loans isn't glamorous, but it's tremendously profitable and highly capital efficient. CACC has generated 63% free cash flow margins over the last five years, and today trades at just 13x earnings. Shares have recently sold off on fears of rising loan losses, caused by an industry-wide downturn in subprime auto lending and rising default rates. But CACC's unique business model makes it resilient against down cycles, and today the company is capitalizing on the distressed lending environment by aggressively taking market share from its weaker competitors who are in retreat.
3. **Viper Energy Partners (VNOM)** is an oil and gas royalty company – the best business in the energy sector, and **The Secret Behind T. Boone's Fortune**. Unlike oil and gas producers, VNOM never spends a dime searching for oil or drilling holes deep into the earth. It simply owns the land upon which other companies drill, and collects a percentage of the cash flow. That makes it one of most capital efficient businesses you'll find anywhere, with 80% free cash flow margins. VNOM funnels its profits directly to shareholders, instead of back into the ground. Last year, VNOM paid out $2.44 in dividends, or roughly 8% of its current share price. The recent correction in energy prices has provided a compelling entry point in this stock, with a current valuation of just 14x next year's earnings.

Portfolio Update

The Big Secret on Wall Street PORTFOLIO

ENERGY & COMMODITIES	Ticker	Description	Purchase Date	Cost Basis	Closing Price	Yield	Income Received	Total Return	Status	Risk Rating (1 - 5)
EQT CORPORATION	EQT	U.S. Gas-Focused E&P	06-03-2022	$47.99	$31.78	1.25%	$0.45	-32.84%	Buy Under $50	4
TELLURIAN INC.	TELL	U.S. LNG Exporter	06-17-2022	$3.53	$1.23	0.00%	$0.00	-65.16%	Buy Under $5	5
VIPER ENERGY	VNOM	Oil and Gas Royalty	09-02-2022	$30.58	$26.15	7.50%	$0.98	-11.28%	Buy Under $34	3
BWX TECHNOLOGIES, INC.	BWXT	Nuclear Power Equipment	12-23-2022	$58.24	$66.37	1.33%	$0.23	14.35%	Buy Under $65	3
BLACK STONE MINERALS	BSM	Oil and Gas Royalty	02-17-2023	$15.90	$15.33	12.52%	$0.00	-3.58%	Buy Under $18	2
AMERIGO RESOURCES	ARREF	Base Metals	03-31-2023	$1.21	$1.10	7.27%	$0.00	-9.09%	Buy Under $1.35	4
BITCOIN	BTCUSD	Cryptocurrency	05-12-2023	$26,979.30	$26,979.30	0.00%	$0.00		Buy Under $35,000	4
BATTLESHIP STOCKS										
ALTRIA	MO	Tobacco Maker	07-15-2022	$42.24	$45.54	8.26%	$2.82	14.49%	Buy Under $50	1
PHILIP MORRIS	PM	Tobacco Maker	07-15-2022	$90.18	$94.69	5.36%	$3.81	9.23%	Buy Under $100	1
CREDIT ACCEPTANCE CORP	CACC	Consumer Finance	07-29-2022	$575.91	$427.47	0.00%	$0.00	-25.77%	Buy Under $600	3
NOVO NORDISK	NVO	Pharmaceuticals	10-28-2022	$106.67	$168.72	2.07%	$1.19	59.29%	Hold	2
WINMARK CORPORATION	WINA	Specialty Apparel Stores	09-16-2022	$218.96	$329.16	0.97%	$4.40	52.34%	Hold	1
ACTIVISION BLIZZARD	ATVI	Video Games	03-03-2023	$77.71	$77.02	2.44%	$0.47	-0.28%	Buy Under $82	2
DOMINO'S PIZZAS INC	DPZ	Restaurants	02-27-2023	$300.00	$307.11	1.43%	$1.21	2.77%	Buy Under $300	3
DREAM FINDERS HOMES, INC.	DFH	Homebuilder	04-28-2023	$14.83	$16.76	0.00%	$0.00	13.01%	Buy Under $16	4
FRANCO-NEVADA CORP	FNV	Precious Metals Streamer	05-12-2023	#N/A	$154.84	0.88%	$0.00		Buy Under $170	2
INCOME & DISTRESSED DEBT										
MICROSTRATEGY INC	CUSIP: 594972AC5	2025 Convertible Bond	10-14-2022	$758.00	$1,009.85	0.74%	$3.75	33.72%	Hold	4
ICAHN ENTERPRISES	IEP	Specialty Investments	12-09-2022	$50.39	$31.41	25.47%	$2.00	-33.70%	Hold	5
QURATE RETAIL, INC.	QRTEP	8% Cumulative Preferred Stock	01-20-2023	$40.64	$32.28	24.78%	$2.00	-15.65%	Buy Under $50	3
ANNALY CAPITAL MANAGEMENT	NLY	Real Estate Investment Trust	02-03-2023	$23.75	$18.86	18.66%	$0.65	-17.85%	Buy Under $24	2
SABA CAPITAL & INCOME OPPORTUNITIES FUND	BRW	High Yield Bond Fund	03-17-2023	$8.07	$7.90	13.52%	$0.00	-2.11%	Buy Under $9	3
OAKTREE SPECIALTY LENDING CORP	OCSL	Specialty Investments	03-31-2023	$18.57	$18.31	12.02%	$0.00	-1.40%	Buy Under $22	2
BETTER THAN THE MARKET										
CAMBRIA SHAREHOLDER YIELD	SYLD	Yield Focused ETF	01-06-2023	$61.22	$55.21	2.81%	$0.00	-9.82%	Buy Under $65	2
WATCHLIST										
NVR, INC.	NVR	Homebuilder	NA	-	$5,850.00	0.00%	-		Buy Under $3,500	
FREEPORT-MCMORAN	FCX	Base Metals	NA	-	$34.73	1.73%	-		Waiting For Recession	
SOUTHERN COPPER CORP	SCCO	Base Metals	NA	-	$70.13	4.28%	-		Waiting For Recession	
SHERWIN-WILLIAMS	SHW	Specialty Chemicals	NA	-	$229.71	4.21%	-		Buy Under $150	

Disclaimer: this hypothetical portfolio should not be considered investment advice or a recommendation to buy/sell any financial instrument. For informational purposes only. Investors should perform their own due diligence before buying or selling any financial instrument. No express or implied guarantee of accuracy or applicability to real-world trading. Risk Ratings are based on a security's fundamentals and business model rather than its current valuation.

IEP's Rebound Cut Short Due to New Investigation

On Wednesday, Icahn Enterprise Partners (IEP) released its Q1 earnings report, showing a $270 million loss for the quarter, compared with $323 million in profits for Q1 2022, while net asset value remained flat at $5.6 billion. The key culprit dragging down returns was a $226 million, non-cash impairment from writing down the assets of Auto Plus, a subsidiary business which filed for bankruptcy on January 31. While this non-cash charge hit the income statement, it did not detract from the company's cash flows. It also reflects a one-time event that will not impact the company's earnings going forward.

The other key earnings hit came from IEP's high short exposure in its public investment portfolio. Given the strong returns across the broader financial markets in Q1, these short positions generated a 4.1% loss on the investment portfolio for the quarter. However, **as we detailed in our original recommendation**, we expect IEP's short exposure to pay off as the economy enters recession in the months ahead, transforming from a detractor to a contributor for IEP's investment returns.

These short-term headwinds have not changed our long-term outlook for IEP. However, the news that sent shares down 15% was the revelation that the U.S. Attorney for the Southern District of New York (SDNY) launched an investigation into IEP on May 3, one day after the May 2 publication of the short report from research firm **Hindenburg Research**.

In IEP's 10-Q filing with the SEC, the company noted that the scope of the investigation includes matters relating to IEP's "corporate governance, capitalization, securities offerings, dividends, valuation, marketing materials, due diligence and other materials."

Given the timing and scope of the investigation, it appears the SDNY seeks to investigate some of the claims made in the Hindenburg report. In response to the investigation, IEP noted:

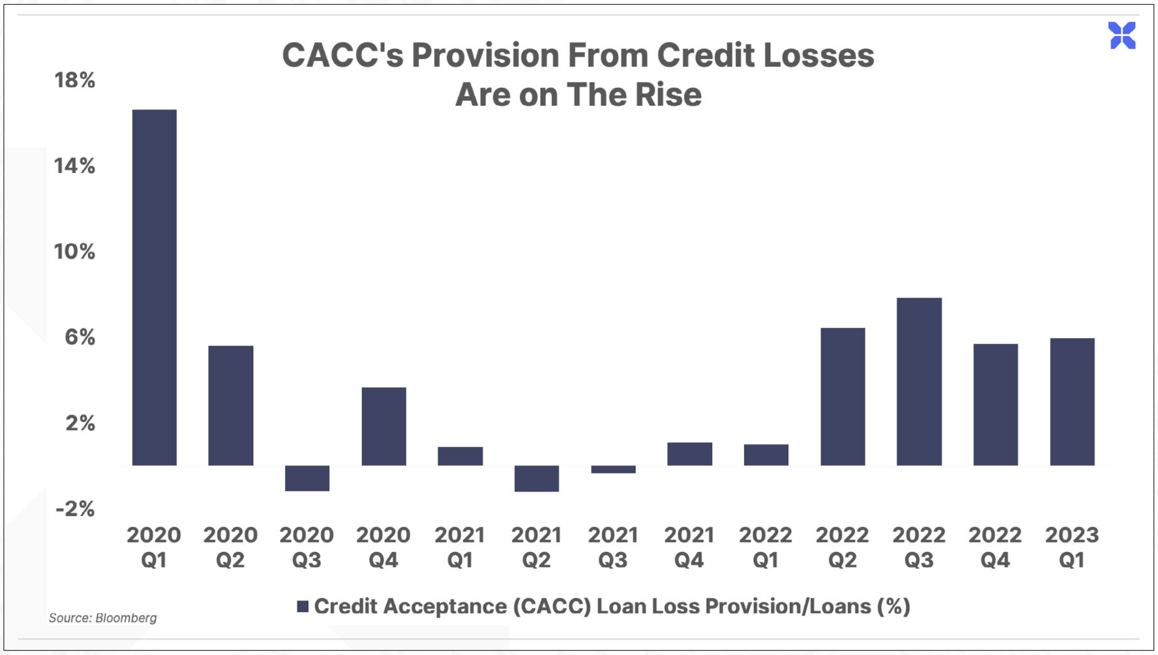
> *"The U.S. Attorney's office has not made any claims or allegations against us or Mr. Icahn with respect to the foregoing inquiry. We believe that we maintain a strong compliance program and, while no assurances can be made and we are still evaluating the matter, we do not currently believe this inquiry will have a material impact on our business, financial condition, results of operations or cash flows."*

We remain confident that Icahn is operating within the scope of the law. But the investigation represents yet another source of near-term risk to the IEP share price. We plan to continue holding IEP units in our model portfolio, but – as we noted in our **Friday update** – we do not recommend that investors buy shares. Going forward, we will also increase our risk rating for IEP to the highest level of 5.

CACC Continues Taking Market Share as Subprime Auto Bust Accelerates

Shares of subprime auto lender Credit Acceptance (CACC) fell 13% when the company released its first quarter results on Monday, May 1. The company reported a jump in provisions for credit losses (i.e., money set aside to cover losses on its loans) to $137.4 million, representing a loss rate of 6% on its total loan book.

The table below shows how CACC's loan losses have rebounded from historically low levels of below 2% in 2021 and early 2022 to more normalized levels of 6 - 8% starting in Q2 2022:



While the market appears concerned about these increasing loan losses, this is a short-term headwind we've been expecting since our **original CACC recommendation last July**, when we first started writing about the coming subprime auto lending bust.

The reason we're willing to look through the short-term headwinds of rising loan losses is because CACC is uniquely built to thrive during industry downturns, by taking share from its less resilient competitors.

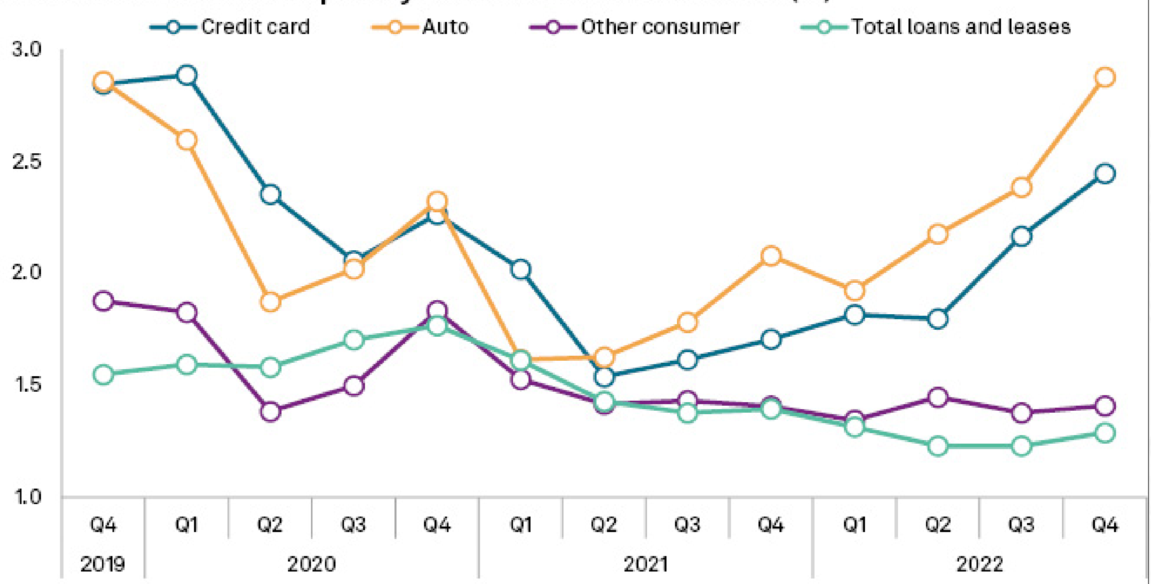
CACC is different from traditional auto lenders because it prices loans with a high margin of safety. The company estimates the percent recovery of a loan, including default risk, and then charges a premium to create these loans that protects the downside. That's how, despite the higher default rates, CACC still generated positive net income of $127 million in the first quarter.

For a frame of reference, when defaults and loan losses rose during the 2008 Financial Crisis, CACC's profitability took a short-term hit, but remained profitable – earning $67 million in net income in 2008.

Many of its competitors suffered large losses, and some were wiped out completely. This set the stage for CACC to take market share at a time when subprime auto demand boomed coming out of the recession, when a larger cohort of consumers suffered from impaired credit scores. That's how CACC went on to generate a new record of $146 million in profits in 2009, more than double the previous peak of $72 million in 2005. That was the beginning of an 11-year streak of further new record highs in profitability.

The same dynamics are at play in today's market, with auto loan delinquencies hitting multi-year highs:

Consumer loan delinquency ratio trends at US banks (%)



Data compiled Feb. 28, 2023.
Analysis based on regulatory filings for U.S. commercial banks, savings banks, and savings and loan associations. Excludes nondepository trusts and companies with a foreign banking organization charter.
Delinquent loans by type are shown as a percentage of their respective loan type total balance. Delinquent loans include loans 30-plus days past due or in nonaccrual status.
Other consumer loans are loans to individuals for household, family and other personal expenditures other than those that meet the definition of credit card loan, auto loan, "loan secured by real estate," or those for purchasing or carrying securities. Examples include loans to purchase trailers, boats, furniture and appliances as well as student loans and loans to pay medical expenses.
Source: S&P Global Market Intelligence.
© 2023 S&P Global.

These rising delinquencies are causing many of CACC's competitors to exit the market with heavy losses, including:

Citizens Bank recently announced plans to cut its auto loan portfolio from $14.5 billion in 2021 to $5-$6 billion by 2024 due to an "upcoming recession."

U.S. Auto Sales, a major subprime used car dealer, temporarily closed down its 39 dealerships.

Wells Fargo capped future loans and laid off all of its junior underwriters in April. As of April 27, Wells Fargo also announced that auto loans greater than 110% loan-to-value and 15% payment-to-income will be declined.

Capital One recently exited its entire business line of extending "floor plan" credit to dealerships in light of the company's spike in credit loss provisions. Credit loss provisions have risen in each of the last quarters, reaching $2.8 billion in Q1 2023, up four-fold from $677 million in Q1 2022.

Meanwhile, CACC is aggressively capitalizing on the opening from its competitors exiting stage left. In its latest Q1 report, the company grew loan volumes by 22% versus the prior year. This followed similar loan volume growth of 22% in Q2 2022, 32% in Q3 2022 and 26% in Q4 2022.

In other words, CACC's unique competitive strength is playing out exactly as we expected, by taking market share in an environment of distress as its competitors retreat.

Mr. Market is myopically focused on the uptick in losses on CACC's existing loan portfolio, while ignoring the longer-term opportunity from CACC growing its market share in today's distressed lending environment.

We expect more subprime auto lenders to drop out of the business as the default cycle accelerates. And while this distressed environment will continue pressuring near-term profitability and loan performance, we expect continued aggressive volume growth as CACC fills the gap created from its weaker rivals pulling back.

CACC remains a buy today.

Activision Set To Hear Positive News From The EU

On Wednesday, May 10, Reuters reported that the European Commission is set to approve Microsoft's (MSFT) $69 billion acquisition of Activision Blizzard (ATVI) as early as next week. The news comes two weeks after the U.K.'s Competition and Markets Authority (CMA) **blocked the deal**. The CMA claimed that the acquisition would negatively impact the future of the fast-growing cloud gaming market by reducing the options available for U.K. gamers.

In response to the CMA blocking the deal, Microsoft proposed to allow rivals to offer popular games such as Call of Duty on their cloud gaming platforms. Microsoft has come to agreements with several cloud streaming rivals including Nintendo, Nvidia, Japan's Ubitus, and the world's largest video distribution platform, Steam.

The deal could be approved by the European Commission as soon as May 15 while the deadline is set for May 22. If the EU approves the acquisition, it would be a major win for Activision, but there's still the FTC (Federal Trade Commision) trial in the U.S., which isn't to begin until August of this year.

In March, the U.K's CMA was overruled by the Competition Appeal Tribunal (CAT) in a case involving Apple over a procedural dispute and the CAT is where this case is heading. Microsoft and Activision are gearing up for a lawsuit and hiring the best law professionals in Europe to fight the ruling.

We believe that the CMA has misjudged the facts and that blocking the deal would hurt competition and prevent freedom of choice.

As a reminder, even if Microsoft's appeal does not go through, and the deal gets blocked by regulators, Activision remains an attractive, capital efficient Battleship stock that will reap a cash injection of $3 billion as a one-time breakup fee. We continue to recommend Activision up to $82 per share.

Mailbag

In *The Big Secret on Wall Street* mailbag, Porter answers letters from readers. He cannot offer individual investment advice, but can respond to general questions.

Please email us at **mailbag@porterandcompanyresearch.com** if you'd like to be featured in this segment. We'd love to hear from you!

Our first question comes from J.K., who writes:

> *Dear Porter & Co.,*
>
> *I have followed Porter and his advice for many years with very good success. Not to mention just plain enjoying no BS good writing.*
>
> ***Question:** I have been a long time buy-and-hold investor in Property Casualty Insurance companies as core holdings in my portfolio, based on Porter's original advice. Capital efficient quality companies such as Travelers, W.R. Berkley, etc. I would love for you guys to opine on the future outlook for these companies within today's environment and avenues available to these companies for investing their excess premium funds. Especially given the drop in bond markets currently and how that impacts their reserves, financial statements, etc.*

Thank you for your long-time readership, J.K.

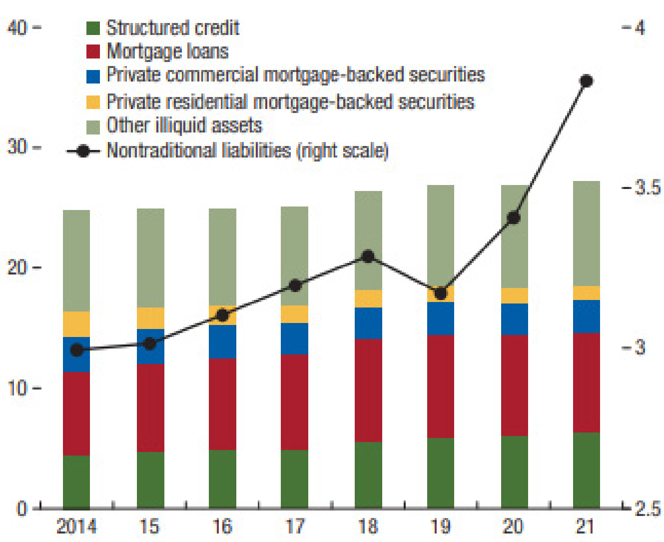
We're still big believers in the long-term prospects for well-run insurance companies. When executed properly, insurance can be among the most profitable businesses in the world. But the whole key to the business model is underwriting. Insurance companies that can always (or almost always) underwrite at a profit will consistently build "float," and will, every time, produce incredible results. RLI, for example, has delivered 25 years in a row of underwriting profits.

The challenge for investors is: the sector as a whole does not underwrite at a profit. The insurance sector isn't Camp Woebegone. Every insurance company isn't above average.

The introduction of zero percent interest rate policy (ZIRP) among global central banks in the wake of the 2008 Global Financial Crisis created a big problem for insurance companies, pension funds and banks across the board. When government bond returns drop to zero, there's no place to earn safe yields.

This forced these institutions into increasingly speculative investment strategies to compensate for the lack of yield available. As you can see in the chart below, the industry as a whole "reached for yield." Doing so has put a bunch of "landmines" into many of the companies. And it's very difficult to know who might blow up as a result.

Figure ES.7. US Insurers Illiquid Assets/Share of Nontraditional Liabilities
(Percent)



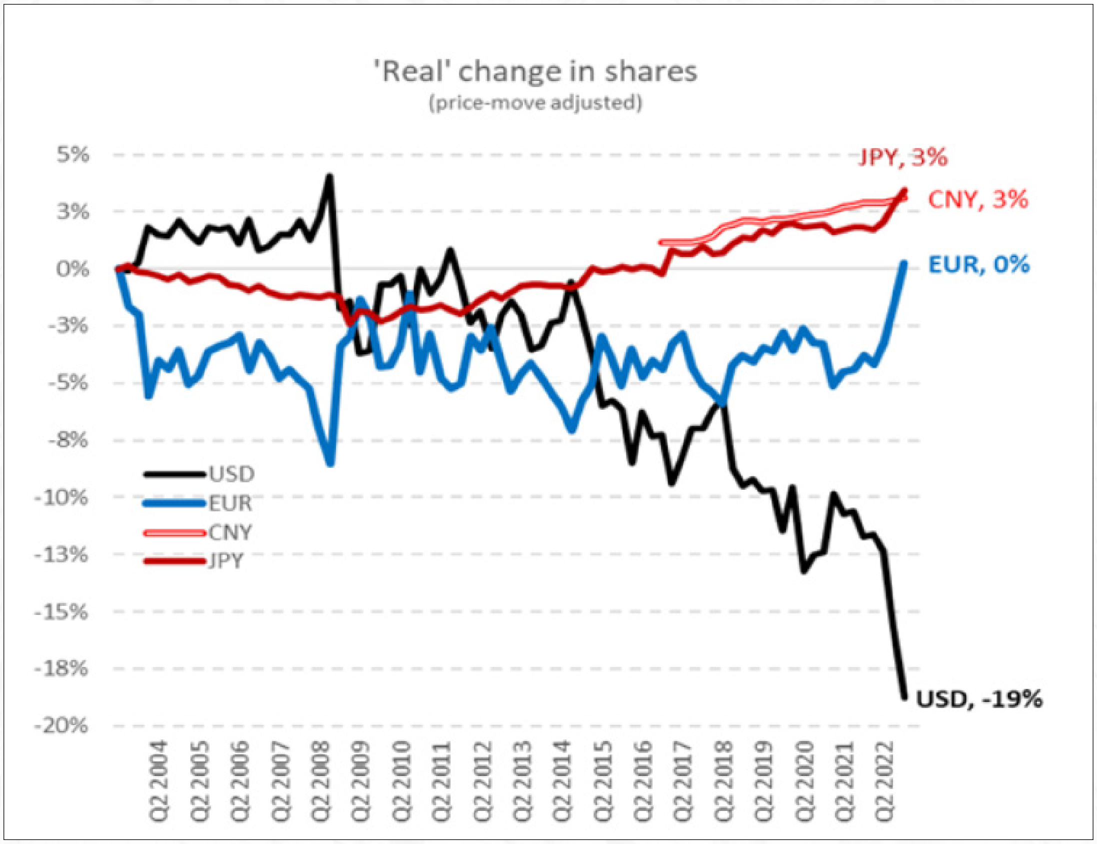
Sources: Bloomberg Finance L.P.; Goldman Sachs; Haver Analytics; ICE Bond Indices; National Association of Insurance Commissioners; PitchBook Leveraged Commentary and Data; Preqin; S&P Capital IQ; St. Louis Fed; UBS; US Flow of Funds; and IMF staff calculations.

There are certainly diamonds in the rough that resisted the temptation to pile on risk in order to juice returns, including Berkshire Hathaway. But given the numerous landmines that popped up during the cheap money era, it's never been more important to do your homework and figure out which companies have been swimming naked, because the tide is rapidly receding.

Our next letter comes from S.F., who writes:

Hey Porter,

Thought you might find this interesting (assuming you hadn't already seen it).



The USD is losing its market share as a reserve currency at a much faster rate than is commonly believed. After steady declines in its global market share for the past two decades, in 2022 the dollar lost market share at a pace 10 times as rapidly.

H/T Jesse Felder

I knew you couldn't stay away forever. I'm glad to have you back!

Thank you for sharing this great chart. It matches up perfectly with the threats to the U.S. dollar that we wrote about today, and which I've been warning investors about since the “End of America” video was first released back in 2010.

The demise of the U.S. dollar’s status as the global reserve currency has been a long time in coming. The fact that it’s resisted these threats for so long has lulled most Americans into a false sense of security. But it’s clear that the trend towards global de-dollarization is accelerating, and the situation could escalate much more rapidly than anyone expects.

As the great Ernest Hemingway once explained, going bankrupt is a process that happens “gradually, then suddenly.”

We suspect the same will apply to the inevitable demise of the U.S. dollar.

Porter Stansberry

Porter & Co.

Stevenson, MD

P.S. If you’d like to learn more about the Porter & Co. team – all of whom are real humans, and many of whom have Twitter accounts – you can get acquainted with us **here** – or email our “Mailbag” address at any time:

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