



CHARLES MIZRAHI'S

ALPHA INVESTOR

REPORT

1 of the Strongest Companies in the World

We're Sorry for the Wait!

Jack Warner was the driving force behind Warner Bros. Studios. He was feared by many of his employees but earned respect for his shrewd instincts and tough-mindedness.

When a director would come into his office and tell him a movie was behind schedule...

Warner would shout: "I don't want it good, I want it Tuesday."

If I took that attitude, you would've had the August issue of *Alpha Investor* three weeks ago. However, that wasn't the case.

The delay in getting this issue to you is all on me. You have my sincerest apologies.

My pop taught me that "almost right, is wrong." So, I didn't want it Tuesday, I wanted it good — because you deserve only our best efforts.

This month, our team was faced with delays beyond their control. We now have put backups in place so this never happens again.

Rest assured, you'll continue to receive 12 issues each year. And we're always hard at work on new opportunities for you.

— Charles

NOT long ago, I shared with you [the parable of the blind men and the elephant](#).

The story is of a group of blind men who come across an elephant. Since they can't see the gigantic animal, they try to figure out what it is by touch.

One person touches the tail and believes it's a rope.

Another touches the tusk and thinks it's a spear. And yet another touches the trunk and thinks it's a snake...

Since each blind man touches just one part of the elephant, they all come to different conclusions.

The message of the parable is simple...

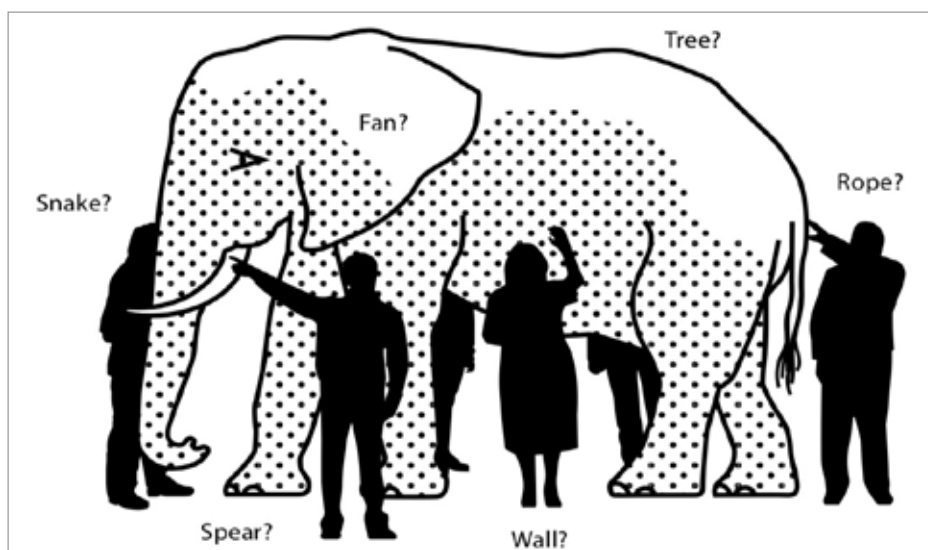
It demonstrates the limits of perspective and seeing the whole picture.

And that's what Wall Street is doing right now — acting like the group of "blind men" trying to figure out the semiconductor industry.

Wall Street is looking at recent earnings reports of semiconductor companies.

And from what I'm seeing, they are making the wrong call.

Analysts are touching the elephant's tail and thinking it's a rope. Boy, are they far off...



Full Steam Ahead

Sure, the short-term picture has been a bit rocky lately...

Chipmakers have warned of slowing demand over the next few months. The industry is facing some short-term headwinds as global economies are slowing down.

I can't disagree. But this would only be a concern for me if I was a trader who bought and sold stocks based on price.

Thank heavens I no longer trade. Been there and done that. I started as a floor trader when I first went to Wall Street close to 40 years ago.

And let me tell you, trading based on every wiggle and jiggle of the market is a tough game.

I'm blessed to have met mentors who guided me into long-term investing. They showed me that stocks are just pieces of a business.

If you can figure out the value of the business, you know what price to pay for the stock. And then, all you have to do is buy the stock when it trades below the worth of the business.

That's how you make the big money as the company grows and the stock price marches higher.

It made complete sense to me because it was rational and based on logic.

So, I figured that all I needed to do was find great businesses ... buy them when they traded at attractive prices ... and then wait.

A few years later, I saw that Charlie Munger said the same thing in simple English: "Investing is where you find a few great companies and then sit on your ass."

Plus, a few of my mentors were on the Forbes 400 list of the richest people in the world. What better proof that this approach is a winning one?

Being an investor and owning a part of a business puts time on our side and can make you rich.

As Warren Buffett said: "Time is the friend of the wonderful business, the enemy of the mediocre."

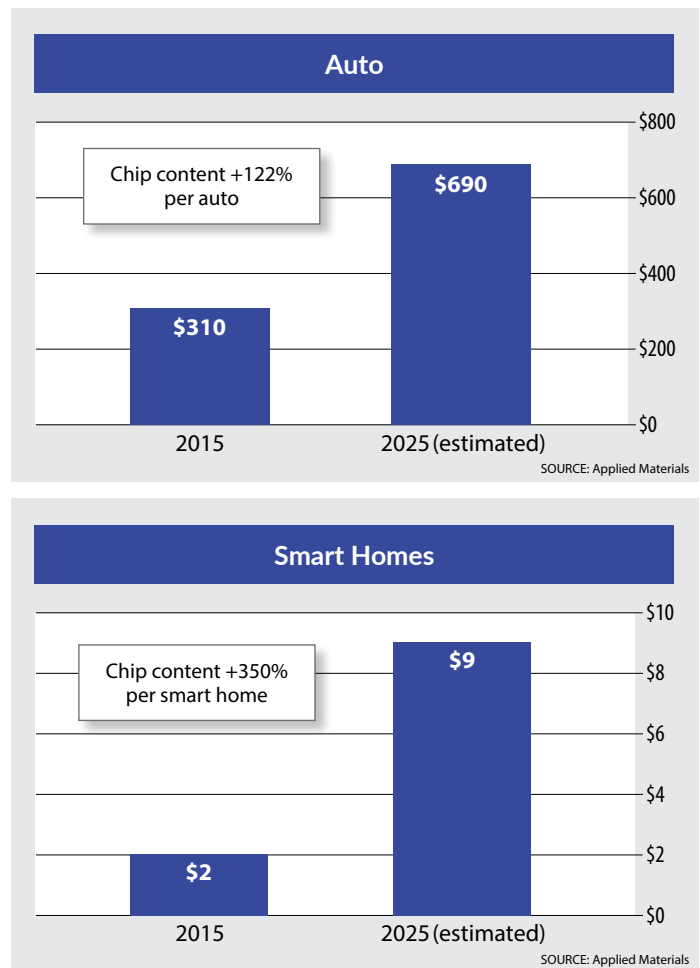
So, unlike Wall Street, we want to see the entire elephant ... the bigger picture. Because our view in *Alpha Investor* is long term, and we're owners of great businesses.

And the secular tailwinds for the semiconductor industry — like the growth of artificial intelligence, cloud computing, 5G and data volume — will still blow strongly over the next five to 10 years.

Over the long term, nothing has changed.

Semiconductors will be used in *more* products, not less.

For example, chip content in cars and smart home devices are increasing dramatically since 2015:



In fact, Tom Caulfield, CEO of GlobalFoundries, one of the world's largest contract chipmakers, said:

"It took 50 years to become a \$500 billion industry. It'll take just eight to 10 years to reach \$1 trillion."

We're already seeing it happen. Last year, global semiconductor sales reached \$555 billion.

And regardless of any slowing short-term demand, sales are still expected to reach \$1 trillion by 2030.

Increasing long-term demand continues to be a huge growth driver for the leading chipmakers and fab equipment companies we have in our portfolio already...

- **Marvell Technology Inc. (Nasdaq: MRVL):** A leading supplier of chips for 5G equipment and data centers.
- **Micron Technology Inc. (Nasdaq: MU):** The second-largest supplier of DRAM chip memory in the world.
- **Lam Research Corporation (Nasdaq: LRCX):** Controls 33% of the market for semiconductor etching equipment.
- **Applied Materials Inc. (Nasdaq: AMAT):** Has

a 44% market share of specific chipmaking equipment.

So, downturns over the short term like this are like manna from heaven. They give us an entry point to buy great businesses when Wall Street sells them off.

And as legendary actress Mae West said: “Too much of a good thing can be wonderful.”

I totally agree with her — especially when it comes to investing in the semiconductor industry. That’s why today, we’re adding one of the strongest and greatest companies in the industry to our portfolio.

And before I share it with you, I’d like to thank Mr. Market for offering it to us at an attractive price...

The 800-Pound Gorilla

Founded in 1987 in Taiwan, **Taiwan Semiconductor Manufacturing Company (NYSE: TSM)** has one of the strongest monopolies in the world.

TSM has pioneered the foundry business model for chipmaking. A foundry is simply a factory where semiconductors are built.

And TSM runs these factories exclusively to manufacture customers’ chips. So, companies that don’t have the facilities to make their own chips outsource production to TSM.

The company’s customers include Apple, Qualcomm and AMD. And it currently produces half of all microchips on the planet!

It’s hard not to make money over the long term when you own companies that dominate an industry like that. Google, Amazon and Apple are just a few such examples.

Yet most investors have no idea that TSM has a 55% market share in the \$100 billion foundry market.

And when you consider that the chip industry has huge secular tailwinds, TSM’s dominance will only continue to grow.

The foundry pioneer should continue to see higher demand over the near future, especially for chips in these markets:

- Smartphones.
- High-performance computing (HPC).
- Internet of Things (IoT).
- And automotive.

Through 2026, TSM expects annual revenue growth of 15%. And based on my research, that’s lowballing it.

I’m pretty confident it’ll grow revenue at an even higher rate because of its strong competitive advantages...

King of the Hill

TSM really has only one major competitor: Samsung.

But when it comes to scale, Samsung comes in at a very distant second...

Last year, TSM generated \$57 billion of foundry revenue compared to Samsung’s roughly \$19 billion. That’s 5X more.

And when it comes to making the most advanced chips, the gap widens even more...

In 2020, TSM had a 90% share of chips sized 10 nanometers and smaller and generated \$26 billion in revenue.

Samsung’s size 10 nanometers chips, according to some estimates, generated about \$2.6 billion in revenue.

It’s not every day Mr. Market offers you a company like TSM that’s 10X the size of its nearest competitor in a business segment.

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Charles Mizrahi

ALPHA NOTES : TSM

1. PRODUCES HALF THE WORLD'S MICROCHIPS
2. 5X THE SCALE OF ITS ONLY COMPETITOR
3. TRADING AT ATTRACTIVE PRICE

But it doesn't dominate its industry by chance. It's due to several factors...

- **Technology leadership.**

TSM spends \$4 billion annually on research and development. And it has a growing portfolio of over 50,000 patents. This helps it consistently provide leading-edge chipmaking technologies.

- **Manufacturing excellence.**

Producing chips is extremely difficult. One chip can take up to three months and 700 steps to make!

And even the smallest mistake — like a single grain of sand — can ruin a chip and cost millions of dollars. TSM has an incredible reputation for its manufacturing standard.

- **Cost.**

In addition to expertise, chipmaking is an expensive business. New factories can cost upward of \$15 billion.

Other than Samsung, very few firms have that kind of financial muscle.

- **Customer trust.**

TSM has made a commitment to never compete in chip design with its customers.

Samsung and Intel can't say the same because they design their own chips to make smartphones and computing hardware. Why would you let your competitor make your chip?

- **Diversification.**

TSM's revenue is diversified across several markets — smartphones, HPC, IoT and automotive.

So, if demand in one market lags, higher demand in another can help smooth out the fluctuations. This helps the company maintain profitability and healthy returns on investment.

Overall, TSM's dominant position has led to 44% operating profit margins. If that doesn't knock your sock off, I don't know what will.

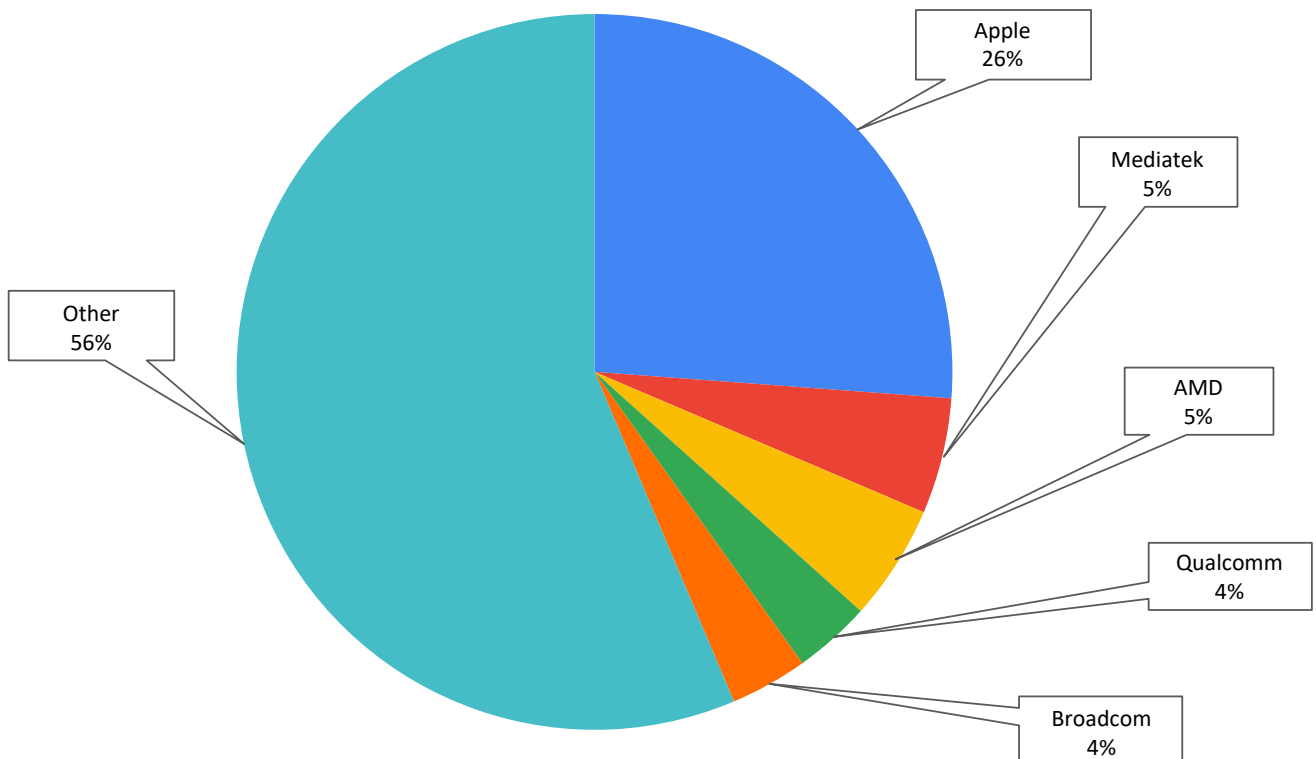
But this wouldn't be possible without a CEO who's focused on driving value for shareholders...

\$100 Million of Skin in the Game

CEO C.C. Wei has a Ph.D. from Yale and tons of industry experience.

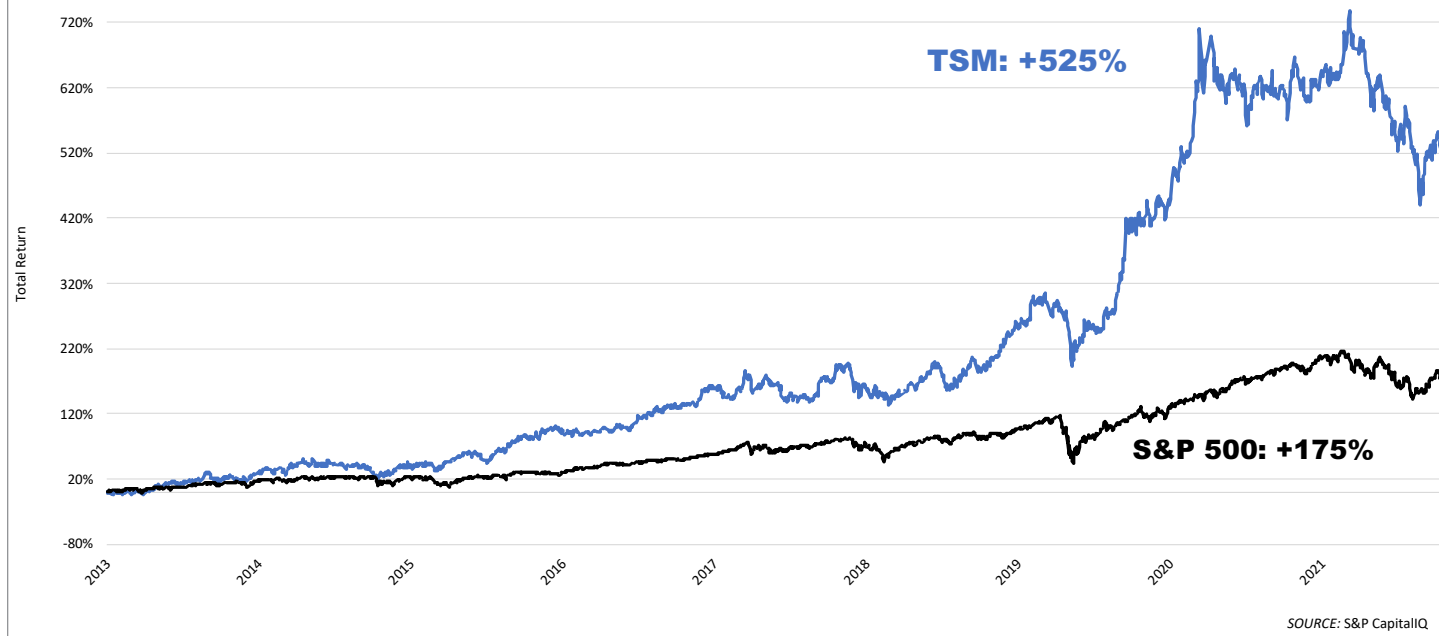
Prior to joining TSM in 1998, he was senior vice president at Chartered Semiconductor.

Revenue Share of TSM's Leading Customers (2021)



SOURCE: Statista

TSM Outperforms the S&P 500 Under CEO Wei



And Dr. Wei has spent the last 24 years at TSM in various leadership roles.

Since he became CEO in 2013, revenue is up 215%, and earnings are up 308%.

In that same time, TSM's stock has returned 525% versus just 175% for the S&P 500...

If there was ever a CEO Hall of Fame, Dr. Wei would get my vote to be one of the founding inductees.

Plus, he has skin in the game through his ownership of close to 6 million shares, valued at \$100 million.

I like investing alongside CEOs who have more money than I do riding on the success of their business.

And at this point, I have to smile because Wall Street just doesn't get it.

Mr. Market is offering us a business that is a near-monopoly ... in an industry projected to be worth \$1 trillion over the next decade ... at an attractive price.

The economic textbooks they teach from in business school say this shouldn't be possible. But I can't blame them. The ivory tower never made their living by investing on Wall Street.

From where I'm sitting, here's what I'm seeing...

No Competition

TSM is trading at an attractive price because Wall Street has a short-term view.

It's worried about potential increased competition from Samsung and China.

You've gotta be kidding me!

It's like the New York Mets (in first place) worrying that the Washington Nationals (last place and 37 games back) might clinch the division. Here's why...

It's true that Samsung has significantly improved its foundry offerings. One could argue that it's on par with TSM in that aspect.

However, Samsung is unlikely to match TSM's scale.

Since it also makes mobile phones and competes with other chip customers, it's harder for Samsung to attract customers.

Do you think there's a snowball's chance in hell that Apple would use a competitor to make the chips for its iPhones?

ABOUT CHARLES MIZRAHI



Using his Alpha-3 Approach, Charles Mizrahi is able to find money-making opportunities that other investors

overlook. His 37-year career started as a floor trader on the New York Futures Exchange at just 20 years old. Soon afterward, he became a successful money manager and No. 1-performing market timer. Charles has managed money for everyone — from close family members and business owners to powerhouse investment banks. Now, he's using his experience and insight to help Main Street Americans grow their wealth and beat Mr. Market to achieve their American dreams.

That's a big reason why TSM has a 90% share of the latest chips.

And Chinese foundries — like Semiconductor Manufacturing International Corporation — are no match for TSM, either. There's too much political risk dealing with China.

Export bans mean that they're not able to buy the advanced chipmaking tools that TSM can.

And being newer foundries, it'll take them a long time to catch up to the level of manufacturing expertise that TSM has as well.

But Mr. Market missing the boat simply means more opportunity for us with TSM. Here's how I see the company's valuation...

The semiconductor industry and global chip

Alpha-3 Approach

- **Alpha Market:** TSM has a 55% share of the foundry market and only one real competitor. And the semiconductor industry's tailwinds aren't slowing down over the long term. It's projected to grow to \$1 trillion over the next eight to 10 years.
- **Alpha Manager:** CEO C.C. Wei has decades of industry experience. Under his leadership, revenue is up 215%, and earnings are up 308%. He also has skin in the game: \$100 million worth of stock.
- **Alpha Money:** Because of its short-term view, Wall Street is worried about competition from Samsung and China. But these fears are overblown. TSM's dominance will continue, and we can buy shares that should double over the next four years.

investment is ramping up. It's not a stretch to see TSM grow earnings by 20% annually over the next four years.

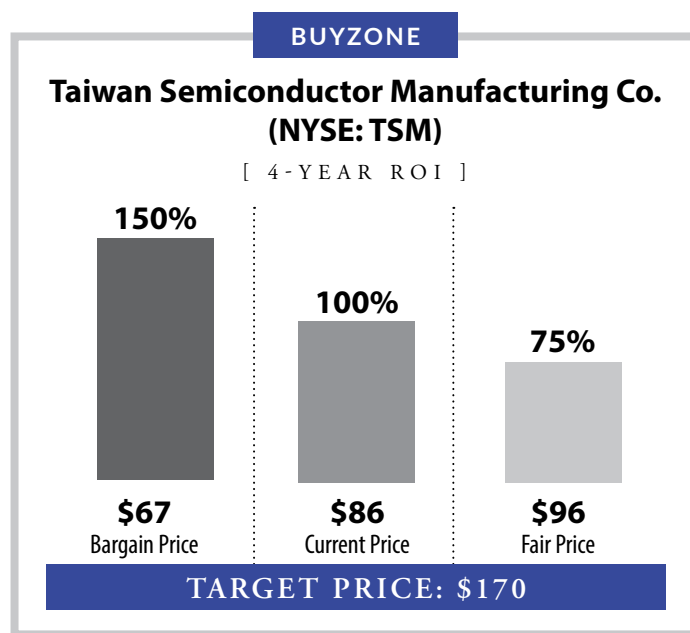
If the company can do that, earnings per share would be around \$9 by 2026. And I project TSM's price should be about 18X earnings. For a monopoly-type business like TSM's, that's conservative.

And when you add in dividends and share repurchases, my "back of the envelope" calculations are showing TSM's price should be trading around \$170 per share in the next four years.

That would be about a 100% return. And it makes now a great time to add TSM to your portfolio.

But remember, you don't become wealthy by buying high. You'll want to buy today, before the stock no longer trades at a bargain price.

Action to take: Buy Taiwan Semiconductor Manufacturing Company (NYSE: TSM) up to \$96 per share.



ALPHA INVESTOR REPORT

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That's all I have for you for now.

If you have any questions or comments about today's recommendation or any of our other stocks, drop my team a line at AlphaInvestor@BanyanHill.com. We'd love to hear from you!

Regards,



Charles Mizrahi
Founder, *Alpha Investor*

NOTES: The *Alpha Investor* Portfolio is an equally-weighted strategy and does not include dealing charges to purchase or sell securities, if any. Taxes are not included in total return calculations. "Total return" includes gains from price appreciation, dividend payments, interest payments, and stock splits. The Purchase Price is based on the first closing price after the recommendation's release. Sources for price data: Capital IQ, and websites maintained by securities issuers. Dividend yield is calculated based on trailing 12-month distributions. Past performance is not indicative of future results. And to view the performance of Special Report recommendations, you can visit the online portfolio, which is available on the *Alpha Investor* portal 24/7. Any bolded buy-up-to prices signify a change in this month's issue.

Alpha Investor Portfolio

Company (Ticker)	Date Added	Purchase Price	Price On 8/25/2022	Total Return	Buy-Up-To-Price	Below Buy-Up-To Price?
NEW						
Taiwan Semiconductor Manufac. Co.(TSM)	NEW				Buy – Up to \$96	✓
CURRENT PORTFOLIO						
Amerco (UHAL)	07/08/22	\$473.58	\$567.92	19.9%	Buy – Up to \$540	
Applied Materials, Inc. (AMAT)	05/11/22	\$103.92	\$105.00	1.3%	Buy – Up to \$134	✓
Occidental Petroleum Corporation (OXY)	04/05/22	\$55.72	\$74.48	34.0%	Buy – Up to \$67	
Lam Research Corporation (LRCX)	03/03/22	\$543.51	\$478.19	-11.4%	Buy – Up to \$605	✓
Micron Technology Inc. (MU)	02/02/22	\$84.51	\$61.20	-27.3%	Buy – Up to \$90	✓
Apollo Global Management Inc. (APO)	12/29/21	\$72.80	\$60.31	-16.1%	Buy – Up to \$80	✓
Fidelity National Financial Inc. (FNF)	11/03/21	\$47.82	\$40.83	-12.1%	Buy – Up to \$54	✓
Uber Technologies (UBER)	10/01/21	\$47.05	\$29.62	-37.1%	Buy – Up to \$50	✓
Fiserv Inc. (FISV)	08/31/21	\$117.79	\$107.27	-8.9%	Buy – Up to \$131	✓
Masco Corporation (MAS)	07/23/21	\$59.78	\$53.29	-9.3%	Buy – Up to \$68	✓
Lithia Motors Inc. (LAD)	05/28/21	\$351.99	\$285.05	-18.6%	Buy – Up to \$395	✓
Illumina Inc. (ILMN)	04/23/21	\$414.97	\$217.52	-47.6%	Buy – Up to \$458	✓
The Progressive Company (PGR)	03/04/21	\$86.99	\$126.43	48.3%	Buy – Up to \$101	
Aon Plc (AON)	12/22/20	\$209.53	\$290.24	40.6%	Buy – Up to \$237	
The Coca-Cola Company (KO)	11/23/20	\$52.67	\$64.67	29.2%	Buy – Up to \$59	
The Walt Disney Company (DIS)	09/22/20	\$127.21	\$117.46	-7.7%	Buy – Up to \$147	✓
SS&C Technologies Holdings Inc. (SSNC)	07/20/20	\$57.21	\$58.98	5.1%	Buy – Up to \$64	✓
HCA Healthcare Inc. (HCA)	06/22/20	\$98.32	\$213.56	120.3%	Buy – Up to \$185	
Broadridge Financial Solutions Inc. (BR)	04/22/20	\$109.41	\$176.48	67.0%	Buy – Up to \$124	
Arista Networks Inc. (ANET)	03/23/20	\$40.47	\$126.49	212.6%	Buy – Up to \$65	
Anthem Inc. (ANTM)	12/20/19	\$303.00	\$492.34	67.7%	Buy – Up to \$365	
KKR & Co. Inc. (KKR)	11/25/19	\$29.54	\$54.42	89.9%	Buy – Up to \$55	✓
FedEx Corp. (FDX)	09/20/19	\$148.78	\$228.03	59.2%	Buy – Up to \$186	
IQVIA Holdings Inc. (IQV)	07/24/19	\$160.61	\$234.73	46.2%	Buy – Up to \$176	
The Charles Schwab Corporation (SCHW)	06/21/19	\$40.63	\$74.00	89.8%	Buy – Up to \$46	
CarMax Inc. (KMX)	05/21/19	\$77.98	\$93.24	19.6%	Buy – Up to \$86	
Marvell Technology (MRVL)	02/22/19	\$19.65	\$55.09	186.6%	Buy – Up to \$35	