

978 FUND

Befitting an Englishman who trades the US markets, and having previously lived in California, the language herein is an odd mix of English and American. Reports are written in haste on Monday mornings, usually after having that extra glass of cabernet the night before. As a result, there will be plenty of poor grammar, typos, and the occasional irrational rant, especially if I'm still on my first cup of coffee. The commentary is intended to be irreverent, but not offensive; however it may occasionally cross the line. **'Reader Discretion Advised'**

As it was in the beginning ...

January 5th 2026

Happy New Year, and Welcome to the 978 FUND!

Following something of a sabbatical, the time is nigh to reboot the trading program. We will adhere to the principles learned back in the 90's with the Tamod Fund, subsequently developed in the Bull & Bear Fund, and refined in the TwentyTen Fund. As then, with a few notable exceptions, we will focus our trading on mid to large cap companies on the Dow, S&P, and NASDAQ.

Having recently reacquainted myself with the market I can honestly say the only real shock is the values. Or perceived values. Those of you who have been with me all these years will not be in the least bit surprised to learn that my outlook differs from the generally pervasive bullish mood. A healthy dose of realism, and (un)common sense, is my staple companion when evaluating the world's most fearsome stock market. If you get carried away by the euphoria when everyone is running with the Bulls on a senseless fundamentals-shy charge, you will be trapped by the Bear and badly wounded before you saw it coming. Conversely, if you get tempted into shorting the wrong companies during a Bear market, you run the risk of being gorged upon the horns of the Bull. A sensible strategy that mitigates the risk is paramount.

The first thing to understand is the entity that is the stock market. Is it a market at which you simply buy and sell shares in companies? Is it a mathematical conundrum that can be deciphered using technical analysis? The answer to both questions is yes. And no. The real question you should ask is why do so many speculators lose their money?

One of my golden rules is 'never underestimate the strength of market psychology; instead, try always to understand it, to be in tune with it.' After all, the stock market is the sum of everybody who trades it; the thoughts, hopes, fears and reactions of human beings. Once you understand this you can begin to understand the markets movements. Its people being emotional. People being optimistic, pessimistic, greedy, fearful, irrational. Get in tune with it. Learn to live and breathe with it; to anticipate it. The plain truth is that the stock market (all these millions of emotional people) acts in a Pavlovian manner (people act like salivating dogs, or like sheep). Positive news, reports and results lead to buying; negative news, reports and results to selling. Greed and fear drive market surges. Greed for profit, fear of missing out on growth, fear of loss.

At the time of writing, the Dow is just a few hundred points short of breaching the 50,000 mark. Astonishing. One thing we know for sure is that when the market gets this close to a milestone, the Bulls will be hell bent on stampeding right through it. So get set for 50,000 to be breached very soon. The NASDAQ sits comfortably above 23,000, largely driven by the data centre and AI boom. General technical analysis supports the bullish outlook. And yet ...

As the Oracle of Omaha would say, 'Be fearful when others are greedy'. The markets look overvalued to me, and a market correction would appear to be just about due. If ever there was a market that needs to pause for breath, it's this one. Some P/E ratios are worryingly high. Undervalue fundamentals at your peril. The Trump Factor is also a bit of an unknown, demonstrated by the President's continual

nonsensical threats to increase tariffs on imports, which will surely backfire onto American consumers. Claims that President Trump has had a positive effect on the economy may be down to the huge increase of alcohol sales on his watch! Throw into the mix the current global geopolitical uncertainty, and it is clear that an all-out bullish perspective is in all likelihood a fools game.

Therefore, rather than plunging right in, we will start the year by just dipping our toes in the water. The list below is a strong, fundamentally solid base upon which we will steadily build our portfolio in the weeks ahead. Again, those of you who have been with me long enough will instantly recognize the old staples, and I'm perfectly happy to stick to a tried and tested formula during the funds formative period. As it was in the beginning, so shall it be in the end!

Company:	Buy at \$:	Sell at \$:
AMAT	290.00	350.00
COST	875.00	978.00 (!)
DELL	120.00	140.00
INTC	40.00	50.00
LUV	42.50	50.00
WMT	113.00	125.00
VLO	180.00	200.00
XOM	121.00	140.00

The way that Intel (INTC) and Applied Materials (AMAT) have evolved in recent years is a testament to the spirit of American capitalism. They have retained their respective core business' whilst at the same time almost reinventing themselves to surf the new wave of the tech sector; AMAT's development in recent years is nothing short of staggering.

The Oil & Gas sector simply cannot be ignored at present, and Exxon Mobil (XOM) and Valero (VLO) offer good value combined with healthy P/E ratios and strong outlooks.

With the earnings season closing in upon us, the retail sector usually offers decent shopping opportunities, so let's load up our trolleys with our favourite brands, Walmart (WMT) and Costco (COST). Now I have to admit here that paying \$875 per share for Costco stock that we used to buy regularly on dips below fifty bucks does give me cause for pause. As does the alarming P/E ratio. But it is a proven all-season stock that delivers in any environment, often outperforming during down cycles. Factor in the company's relatively poor 2025, and it is likely heading for \$1,000 per share if the earnings report is positive. As an additional benefit, the yield should provide a welcome bonus.

Outlook for Q1? Diversification will be key, and I may look beyond our normal parameters. Gold, despite the fact that it has doubled in value in less than 18 months to its current heady levels, is going to be the safe haven of choice every time the military superpowers rattle a sabre; or, God forbid, something more serious. And these are very uncertain times indeed, as the superpower chiefs don't seem to be entirely stable. Having always shied away from crypto in the past (I dislike anything where I struggle to identify tangible assets) I must say it is becoming appealing. The bear market in the sector has driven levels to understandable territory, and the maturing blockchain development, coupled with some heavyweight financial institutions getting some skin in the game, is leading to proper fundamentals seemingly becoming established. We will revisit this in due course.

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