Fractal Memory

Events:

<u>23rd June Kospi Crash:</u> The KOSPI index registered its worst trading day in more than a decade, falling 9.99%. The Korean market is now a duopoly between two giant memory-chip makers, Samsung and SK Hynix, which represent more than 30% of the index. These stocks were inflated by the short supply of memory chips due to the ongoing AI build-out.

Frontier models require a ton of HBM (High Bandwidth Memory) to increase computational power and therefore make the models "more intelligent." SK Hynix, at its peak on June 23, was up 300% YTD. It has now lost 50% from that peak and is back to 150% YTD. All markets know that memory chips are cyclical. The only question is the length of this cycle. Since we are facing a civilizational revolution, this cycle may last longer and support these highly elevated prices, or Schumpeterian creative destruction may arrive, providing the same output with far less memory. Models like Kimi K3 by Moonshot AI, with 2.3 trillion parameters, consume much less. So, we are facing a very unstable equilibrium.

This anxiety-inducing climate had a spillover effect on the US. On the same day, **Nvidia lost 4.13%**. More broadly, **Nasdaq** futures fell **3.22%** on that day.

<u>29th July FOMC Metting:</u> Kevin Warsh was highly anticipated, and he always had a firm tone on inflation, saying that *"inflation was a choice"* multiple times during his Senate hearings. The Fed remained on hold, but the Street did not find him reassuring at all—more **overconfident**, and **unclear** regarding his actions, which only depend on the results of those five task forces. He tried to set a new tone, but the direction was not clear enough for the market.

Added to this monetary policy uncertainty, hedge fund **manager Kenneth Griffin suggested that the Fed might hike**. This pushed the market lower at the open, and with the uncertainty surrounding Warsh, the market made a false breakout**. S&P 500 futures** finished the day **down 1.33%.** But the real issue was **SMH**, which reached its lowest level on that day since **May 5**.

In light of what happened on June 23rd, this was **the final nail in the coffin for Leopold Aschenbrenner** and his AI fund**, Situational Awareness**. The already **unstable equilibrium** and **uncertainty regarding the monetary policy stance pushed AI stocks even lower**. The pain was too great for Situational Awareness to handle; they had already **lost 67% in July alone**. As he reached his margin limit, he needed someone to buy back his entire public book. Mr. Griffin, considering his Jefferson quote, *"Things may come to those who wait, but only the things left by those who hustle,"* reacted immediately and bought back his entire book. The next day, the fury was over, and the market climbed back **3.28%** for **Nasdaq**.

Basket

GOAL: Considering these events, the objective is, on the one hand, to identify stocks that can navigate through this storm without losing too many feathers—**the "rock" basket** that can be used as a diversifier against AI stocks. On the other hand, we want to identify stocks that are much cheaper but are still crucial to the AI build-out—**the "pick-and-shovel" basket.**

Rock Basket:

For this, we use the following filter in our *perfect-grades.stouffcapital.tech* software:

Active Filter: **Kospi Crash Memory Chips Disruption_event_price_chg** > '1' | **Leopold Buyout By Citadel_event_price_chg** > '1' | **capi** > '15' | **growth** ≥ '50'

If we look at SPXXAI (which is the S&P 500 minus the AI names) from June 22nd (the peak of semis) to now, it's up ~7%. We are seeing new demand for pockets of quality software, alternative asset managers, broader financials, and parts of the metals + mining complex. Over the past month and a half, the sectors that have contributed the most to SPXXAI returns are:

Total	6.87
Health Care	2.05
Financials	1.80
Industrials	0.91
Energy	0.80
Information Technology	0.63
Consumer Discretionary	0.44
Consumer Staples	0.15
Materials	0.09
Communication Services	0.06
Real Estate	0.03
Not Classified	0.00
Utilities	-0.09

Energy:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓(	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (3)		46.3	62.26	55	65	67.33	54	46.33	49.33	33.33	55	35	79.67	1.61%	2.15%	1.23%	4.83%	-0.97%	3.14%	37.63%	-1
TRGP US EQUITY	0.32%	58.5	56.89	53.7	73	66	48	28	49	38	69	5	88	1.59%	1.15%	-0.29%	3.34%	-1.82%	-0.54%	46.00%	1
NESTE FH EQU...	0.17%	24.1	60	60.6	69	89	61	62	52	52	31	25	96	1.20%	3.95%	2.67%	5.26%	-3.08%	3.42%		0
OKE US EQUITY		56.2	69.89	50.7	53	47	53	49	47	10	65	75	55	2.05%	1.35%	1.31%	5.90%	1.98%	6.52%	29.26%	-3

Financials:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓(	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (5)		63.6	55.05	53.22	56.8	51	65.6	42	55.6	47.4	67	50	40	1.93%	2.13%	-0.01%	0.72%	1.11%	15.01%	6.36%	3
2888 HK EQUITY		58.9		57.8	64	55	65	43	48	50	50	50	89	1.42%	3.86%	-0.59%	1.03%	-0.59%	11.63%	28.09%	2
DB1 GR EQUITY		50.8	38.27	63.4	60	56	71	37	71	74	89	75	41	1.43%	1.62%	-0.58%	-0.04%	4.46%	14.74%		7
MRSH US EQUITY		80.7	55.58	57.2	55	50	64	47	65	85	65	55	31	2.32%	2.81%	0.24%	-0.21%	0.82%	15.40%	4.73%	3
ICE US EQUITY		69.5	60.88	46.3	54	48	65	41	57	8	74	45	17	1.26%	1.02%	0.47%	0.63%	-0.81%	22.86%	-5.96%	-1
AJG US EQUITY		57.9	65.47	41.4	51	46	63	42	37	20	57	25	22	3.20%	1.36%	0.43%	2.17%	1.64%	10.43%	-1.41%	3

Industrials:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (3)		*66.0*	*32.16*	*52.47*	*57.67*	*50*	*57*	*36.33*	*59.67*	*49.67*	*72.67*	*60*	*24*	*3.00%*	*2.22%*	*-0.12%*	*0.08%*	*1.26%*	*7.53%*	*1.73%*	*1*
WCN US EQUITY		42.4		53.3	63	54	63	37	52	50	77	50	24	3.92%	2.12%	0.38%	0.08%	-0.10%	0.31%	-4.24%	3
ADP US EQUITY		88.9	32.16	51.4	58	53	59	40	72	20	56	75	23	2.75%	3.48%	-0.95%	-0.08%	1.74%	21.05%	7.07%	0
RSG US EQUITY		66.6	32.16	52.7	52	43	49	32	55	79	85	55	25	2.32%	1.05%	0.21%	0.24%	2.15%	1.23%	2.37%	-1

Technology: The software did particularly well

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (8)		*89.3*	*61.07*	*53.4*	*64*	*60.75*	*72.88*	*52.12*	*57.75*	*71.38*	*25.25*	*47.5*	*18.38*	*2.09%*	*3.86%*	*-1.15%*	*0.90%*	*8.01%*	*26.30%*	*1.41%*	*-0*
FTNT US EQUITY		111.0	22.75	69.9	80	76	89	26	54	88	23	95	88	1.80%	2.16%	-1.41%	1.41%	-0.04%	5.38%	103.87%	10
CSU CN EQUITY		42.1		54.9	77	93	75	51	50	50	25	45	6	3.29%	3.19%	-2.53%	-0.03%	7.25%	20.62%	-2.34%	8
CRM US EQUITY	0.12%	129.7	120.3	55.5	67	53	66	62	64	76	24	65	11	2.20%	3.79%	-0.02%	2.45%	7.31%	26.05%	-25.08%	-3
NOW US EQUITY	0.09%	101.7	53.33	50.7	62	47	80	51	42	77	6	75	5	3.15%	4.65%	0.08%	2.13%	14.66%	28.46%	-16.74%	-6
ROP US EQUITY		33.5	45.21	48.9	61	58	65	49	58	64	58	5	10	1.37%	4.39%	-1.09%	-0.68%	1.92%	18.36%	-9.61%	5
ADBE US EQUITY		80.6	55.23	56.3	61	56	73	72	75	46	24	85	10	1.30%	5.72%	-3.39%	-0.57%	5.31%	28.63%	-24.65%	-9
SAP GR EQUITY	-0.06%	191.1	29.7	44.8	53	50	63	49	60	77	31	5	7	1.74%	1.76%	0.78%	1.54%	14.60%	34.85%		0
WDAY US EQUITY		25.0	100.97	46.2	51	53	72	57	59	93	11	5	10	1.85%	5.21%	-1.59%	0.91%	13.05%	48.07%	-15.60%	-7

Pick-and-shovel basket:

Active Filter: **Kospi Crash Memory Chips Disruption_event_price_chg** ≤ '-5' | **Leopold Buyout By Citadel_event_price_chg** ≤ '-5' | **capi** > '15' | **growth** ≥ '50' | **gics_sector_name** contains 'ind' | **MTD** > '5'

Industrials:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (4)		*87.2*	*62*	*56.12*	*67.25*	*72*	*81.75*	*26.75*	*44*	*37.75*	*12.75*	*75*	*76.75*	*-7.97%*	*-9.40%*	*2.62%*	*0.98%*	*14.85%*	*-7.60%*	*49.71%*	5
VRT US EQUITY		117.0	60.64	64.9	85	80	84	25	56	52	7	85	90	-11.07%	-17.26%	4.34%	3.45%	16.66%	-15.83%	74.02%	3
NVT US EQUITY	0.32%	26.4	46.89	56.9	68	84	84	18	50	34	18	55	90	-8.66%	-5.74%	2.98%	1.50%	8.67%	-1.31%	64.70%	4
ETN US EQUITY		156.4	57.35	56	65	58	80	24	53	58	25	85	47	-7.00%	-6.31%	3.22%	2.36%	10.89%	8.05%	45.41%	5
RKLB US EQUITY	0.02%	48.9	83.12	46.7	51	66	79	40	17	7	1	75	80	-5.16%	-8.28%	-0.04%	-3.40%	23.19%	-21.29%	14.69%	9

Technology:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	↓	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD	grw_1mch
Average (13)		*74.0*	*122.34*	*55.29*	*65.69*	*72.69*	*72.31*	*28.08*	*46.46*	*48.62*	*3.69*	*64.62*	*85.08*	*-7.69%*	*-7.76%*	*2.37%*	*-2.25%*	*21.07%*	*-13.10%*	*90.23%*	-1
SMCI US EQUITY		19.8	357.77	61	84	84	80	73	39	68	1	95	2	-6.03%	-9.67%	0.45%	1.51%	11.27%	7.74%	7.96%	16
CRDO US EQUITY	0.07%	44.4	68.18	65.9	72	78	85	27	60	94	2	75	94	-10.09%	-7.71%	3.23%	-0.88%	19.66%	-8.92%	72.14%	-6
LITE US EQUITY	0.34%	63.6	180.38	54	70	80	67	22	38	16	2	75	100	-7.38%	-7.61%	0.87%	-7.82%	14.94%	-4.37%	122.63%	2
FN US EQUITY	0.67%	18.8	42.76	45.7	69	66	83	25	35	5	5	25	75	-5.44%	-7.83%	-0.23%	-6.49%	20.78%	-6.44%	15.51%	-2
P US EQUITY		23.0	61.89	54.9	69	61	75	25	49	50	9	65	77	-6.07%	-5.12%	11.64%	21.47%	41.74%	38.82%	63.23%	-4
ARM US EQUITY		357.0	38.21	56.5	66	68	84	21	46	71	2	50	91	-10.14%	-8.11%	0.40%	-4.83%	12.20%	-24.15%	146.03%	-1
COHR US EQUITY		74.5		58.6	64	71	68	21	50	62	3	85	98	-10.40%	-8.75%	1.05%	-13.34%	24.98%	-16.71%	78.02%	2
MRVL US EQUITY	0.31%	233.4	88.69	53.2	64	70	78	16	39	16	2	85	98	-9.36%	-6.34%	1.80%	-2.93%	13.20%	-28.71%	150.20%	-5
1888 HK EQUITY		38.7		50.3	63	77	61	30	45	50	1	15	98	-5.11%	-6.52%	0.00%	-6.88%	21.41%	-63.97%	172.05%	-10
ONTO US EQUITY		16.1		56.2	61	70	58	25	50	50	4	85	98	-9.20%	-9.75%	9.76%	3.73%	23.67%	-15.50%	102.58%	-6
MTSI US EQUITY		28.2		58	60	69	74	18	53	50	9	95	92	-6.08%	-8.23%	0.98%	-3.50%	19.28%	-21.15%	75.11%	5
ENTG US EQUITY		24.6	140.83	49	57	72	54	30	55	50	5	25	85	-8.58%	-9.36%	4.16%	-1.23%	26.17%	-16.41%	78.71%	2
SITM US EQUITY		20.1		55.5	55	79	73	32	45	50	3	65	98	-6.14%	-5.89%	-3.31%	-8.02%	24.64%	-10.52%	88.88%	-6

Personal Recommendation:

LITE and COHR: Respectively Lumentum and Coherent, both are vital to the AI supply chain. Lumentum is a leading producer of **lasers** and switches that enable GPUs to communicate during both training and inference. As the number and power of GPUs increases, they need to communicate quickly and efficiently, and Lumentum helps solve this issue. The company does not assemble the final systems but produces the core components of the lasers, with limited direct competition.

To hedge this bet, we also use Coherent, which operates in the same laser market but offers cheaper solutions. Nvidia invested a combined $2 billion in the two companies on March 2nd 2026.

ALAB:

bbg_ticker	nav	capi Bn	CDS Sp...	Global_G...	g...	eps	s...	rv	eq	mf	lo...	s...	rsst	YS	WTD	MTD	QTD	YTD
Average (1)		*67.2*	*60.7*	*60.6*	*71*	*78*	*79*	*27*	*47*	*50*	*1*	*85*	*97*	*-1.65%*	*-6.64%*	*0.24%*	*-35.41%*	*87.54%*
ALAB US EQUITY		67.2	60.7	60.6	71	78	79	27	47	50	1	85	97	-1.65%	-6.64%	0.24%	-35.41%	87.54%

Not included in the selection because it did not rally. Optical business provides inter-rack connectivity within data centers. Note that copper becomes less efficient as distance and data volumes increase.

AVGO:

Alternative to Nvidia, allowing hyperscalers such as Meta and Google to design chips tailored to their specific workloads, improving efficiency and reducing costs. This also enables Broadcom to capture a larger share of the AI supply chain. The main drawback of highly specialized chips is their lower flexibility, as they may struggle to adapt to new workloads or rapid technological changes.

bbg_ticker	nav	gics_sector_name	capi Bn	CDS Sp...	Global_G...	g...	eps	s...	rv	eq	mf	lo...	s...	rsst	Kos...	Leo...	YS	WTD	MTD	QTD	YTD		grw_1mch
Average (1)		————————	*1736.6*	*49.21*	*60.2*	*78*	*72*	*82*	*26*	*67*	*32*	*20*	*75*	*72*	*-3.06%*	*-2.78%*	*0.43%*	*-2.32%*	*7.33%*	*10.61%*	*21.18%*		*-7*
AVGO US EQUITY	0.61%	Information Technology	1736.6	49.21	60.2	78	72	82	26	67	32	20	75	72	-3.06%	-2.78%	0.43%	-2.32%	7.33%	10.61%	21.18%		-7

SNOWFLAKE: Check IBD July article

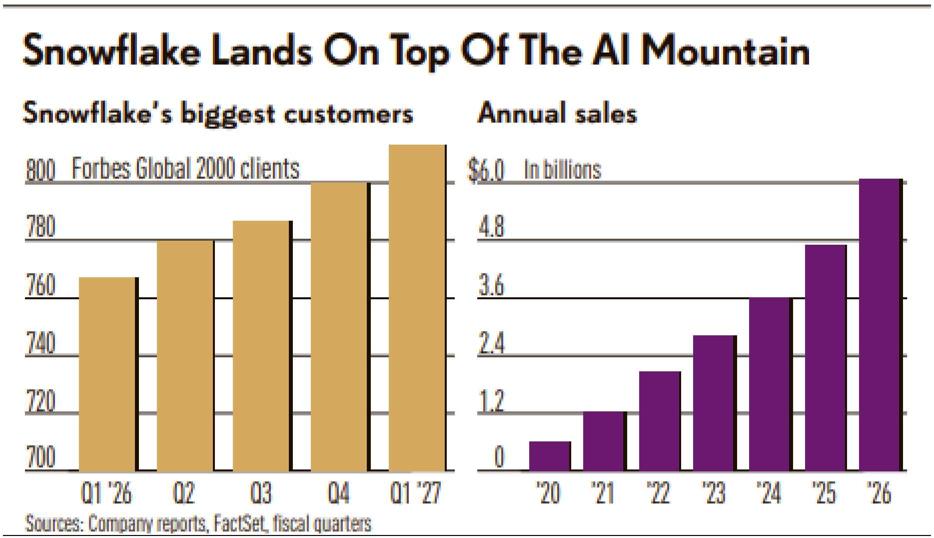
Snowflake
snowflake.com

Ticker	SNOW
Share price*	Near 268
12-month sales	$5.03 bil
EPS growth rate	49%

IBD SmartSelect Corporate Ratings*

Composite Rating	91
Earnings Per Share	95
Relative Price Strength	86
Industry Group Rank	121
Rank Within Industry Group	3
Sales+Profit Margins+ROE	C
Accumulation/Distribution	A

See Investors.com for more details *As of 7/24/26



Their new product AI Data Cloud. The company has partnerships with both OpenAI and Anthropic to integrate their models into Snowflake's platform. Meanwhile, Snowflake's business model is consumption based, meaning revenue is tied to how much data its customers analyze and store.

Snowflake reported sales of $1.38 billion for its April-ended quarter, up 33.5% year over year. Adjusted earnings increased 62%

Pairs: The others are Datadog (DDOG), JFrog (FROG), MongoDB (MDB) and Twilio (TWLO).