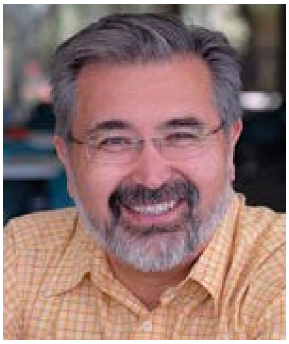
Weiss Ratings
Crypto Investor

May 2020 / Issue 22

Secret 'Fintech' Superhero Rises Amid Crisis

A Midwest stalwart will prosper from Americans' changing behavior

By Tony Sagami



This shelter-at-home stuff is getting old.

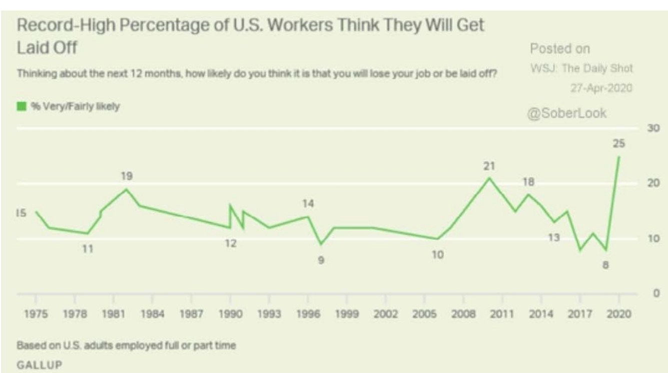
The New York Times reports that 316 million Americans are living under some sort of "lockdown." That's about 95% of the country. Look, I understand the necessity right now of this sort of regime. But I'm getting really, really bored.

That makes right now a really, really good time to look for some "bright side" to what's happening.

And that includes identifying investment opportunities that will inevitably arise from what may be a totally new consumer paradigm.

For me, one of the benefits of staying home is that I'm spending very little money. I haven't put a nickel into my gas tank in more than a month. I've frozen my gym membership, and I've also mostly emptied my pantry. I've gone on zero dates.

And my savings account is ballooning.



Similar things are happening for millions of Americans just like me.

Some are saving money simply because they're stuck at home. Many others are so fearful about their financial future that they're squirreling away as much as they can while they're still collecting a paycheck.

That's understandable.

Nearly 40 million Americans have lost their jobs over the past eight weeks, and 25% of those who still have one are worried they'll lose theirs. It's just wise under these circumstances to build up a rainy-day fund.

But even people with steady, secure jobs are saving money. Indeed, it looks like all of us are re-evaluating our spending priorities. Perhaps we've realized that money can't buy happiness. And perhaps the pandemic will mark a permanent change in the way we live.

It's happened before.

All of us know people — a parent, a grandparent, an uncle, a neighbor — who themselves lived through the Great Depression or heard first-hand stories of what it was like. That experience — living it, even hearing about it — engrained a mentality of thrift. Hardened by deprivation, sobered by scarcity, survivors and their successors became frugal financial neurotics.

Don't look now, but it might be happening again.

My father, a vegetable farmer in western Washington, had a dedicated shed where he

Inside this Issue ...

stored things he "might" need some day in the future. Back then, all his nuts, bolts, pipe sections, clamps, hoses, spare parts and thousands of other items looked like junk to me. At the same time, I saw that, whenever he needed to fix something, he'd usually find a solution in that shed.

It's human nature to become more cautious when faced with uncertainty. Right now, we're so nervous about the state of the economy that we're stockpiling cash at a rate not seen since the first year of the Reagan administration.

Even my children — both of whom are "Millennials" — are being smarter with their money these days. This is what I mean by the "bright side" of this crisis.

The U.S. savings rate jumped from 8% in February to 13.1% in March. That pushed the dollar amount held to $2.17 trillion. And that's after the Federal Reserve slashed interest rates to the "zero bound" and pushed the yield on bank accounts, money-market deposits and Treasury securities to next to nothing.

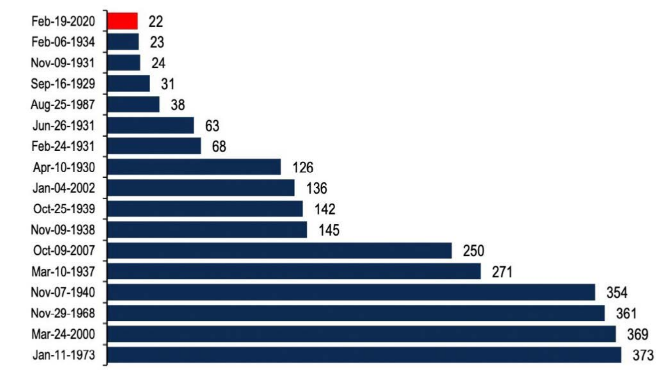
Even at a zero percent return, Americans are saving money as if their lives depend on it.

And maybe it does.

Yes, it's a fact that after the Global Financial Crisis/Great Recession in 2008-09 Americans increased their savings for five straight years. And then they stopped.

My sense is this savings push is going to last for a long time. We're already seeing signs of fundamental change in the way we save money.

Chart 1: The Feb-Mar 2020 selloff of 30% was the fastest 30% drawdown in history



Consider that Americans aren't putting those savings into the stock market right now. The February-March selloff was so daunting that folks are pushing their extra money into savings accounts.

The bottom line is financial responsibility is always a positive. This is a trend with some legs right now, and one industry group is poised to prosper as a result of it: regional and local banks and credit unions.

This month, I highlight a stock that just might be the biggest winner amid a multi-year rise in savings rate ...

Jack Henry: Time to Shine

By Tony Sagami

Two major trends — one familiar, one fresh (or refreshing) — are transforming the banking industry.

The move to online banking has been happening for a while now. Temporary "social distancing" due to the COVID-19 pandemic may have the effect of making it permanent.

And, as I note at the top of this month's issue, Americans are saving money like their lives depend on it. We're pouring money into banks and credit unions.

Rather than sort out the many small banks and credit unions collecting that cash, let's talk about the one company helping them all make the great leap into a totally digital world.

That company is **Jack Henry & Associates (Nasdaq: JKHY, Rated "B")**.

You Don't Know Jack

You may not know the name "Jack Henry." Few investors do. But you're probably familiar with the term "fintech." Fintech is a portmanteau of "finance" and "technology." It refers to any business that uses technology to enhance or automate the financial services industry.

That's miles away from where Jack Henry and Jerry Hall started in 1977. They worked above an engine repair shop, serving a single client with a rented computer.

In their first year doing business, they pulled in $9,360. But Jack and Jerry knew their software automated the massive and complex regulatory filings that kept small bankers up to their elbows in paperwork.

Sales shot up to $115,000 in the second year. By 1985 — only eight years removed from that walk-up office perfumed with motor-oil fumes — what had become Jack Henry and Associates was so successful that it was ready to go public.

Management used proceeds from the initial offering to build a comprehensive suite of products that enables small community banks and credit unions to offer online services. Jack Henry helps them compete with the likes of **Bank of America Corp. (NYSE: BAC, Rated "C")** and **JPMorgan Chase & Company (NYSE: JPM, Rated "C")**.

In short, small banks and credit unions would go out of business without Jack Henry's back-office services. That's why more than 11,000 of them use its software.

Four Reasons to Buy JKHY Today

Reason No. 1: Do High Tech or Die. My father — maybe yours, too — wouldn't get "banking" today. The industry has been changed forever by internet-based services and a slew of Silicon Valley startups – with armies of MBAs and software engineers – that have no idea what a handshake means.

Community banks and credit unions don't have the human or actual capital to compete in the new digital age we live in. They couldn't survive without a service provider like Jack Henry.

Jack Henry offers the infrastructure they need to provide basic modern services today's customers demand. That includes online payments processing as well as the ability to deposit checks by snapping and uploading photographs and to transfer money with swipes, taps and even voice commands.

These applications look and feel like they were made by the local banks and credit unions themselves. Bankers like Jack Henry for that; they love the company because it's helped them survive during and position themselves to thrive after this pandemic.

Consumer use of mobile finance, banking and insurance apps jumped by 71% in 2019. But the novel coronavirus has changed online banking from "nice to have" to "can't live without."

Reason No. 2: The Big Business of Small Banks. You'd be hard pressed to find a company with a more consistent growth trajectory than Jack Henry's. The company generated revenue of $591 million in 2007, and that'd grown to $1.55 billion by 2019.

Heck, even COVID-19 couldn't derail Jack Henry's growth. Management reported sales of $429.4 million for the first quarter of 2020, a rock-solid 13% year-over-year increase.

Profits increased to 96 cents per share, a 25% year-over-year increase and five cents above the Wall Street consensus.

Now that Americans are saving more money and funneling those dollars to its banking customers, Jack Henry should enjoy even faster growth and fatter profits.

To wit ...

During the three months ended March 31, Jack Henry added 19 new debit-processing clients, bringing the total to 214 on its newest online banking platform. Jack Henry also added 45 new clients for its payments-processing platform.

And there's plenty more new business to come. A PricewaterhouseCoopers survey found that 82% of banks and credit unions plan to hire outside fintechs in the next three to five years.

Jack Henry will get a lot of that business.

Reason No. 3: An Ocean-Sized Moat. One of the keys to Jack Henry's success is its intense focus.

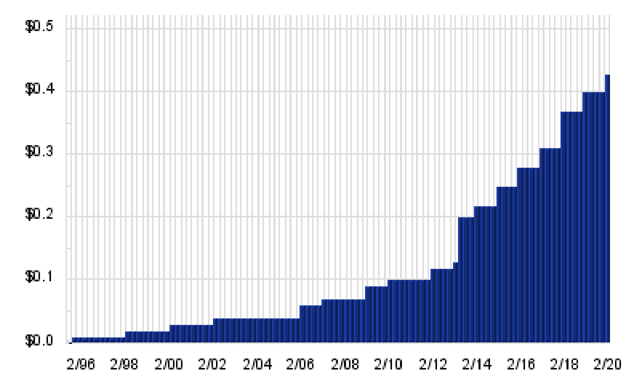
It's based in Monett, Missouri, and it caters mostly to midwestern community banks and credit unions. Jack Henry is committed to a cultural as well as geographical fit when it comes to its customer base.

It's banking customers feel the same way, because they know that the cost of switching its core, mission-critical IT back office is prohibitive. Bankers know that once they say "I do" to Jack Henry, it's a business marriage that should last a lifetime.

Once a bank hires Jack Henry as a core processing provider, Jack Henry then sells additional services, like online banking and web bill pay. The more Jack Henry services a bank adds, the deeper the relationship becomes. The modern term for that is customer "stickiness." The MBAs also call it a "barrier to entry."

I like to think of it as a very wide moat that keeps the competition away.

Reason No. 4: Everybody Loves Dividends. Jack Henry pays a $1.72 annual dividend, which translates into a 0.9% dividend yield. That may not sound like much. But you can expect the cash payout to grow like clockwork.



TickerTech.com May 6, 2020

Jack Henry has increased its dividend for 16 consecutive years by an average of 11.5% a year. The next quarterly dividend will be paid in mid-June.

Community banks and credit unions must modernize their offerings or die, and they know it. That's why Jack Henry's grown the way it has over the years.

The combination of the ongoing transition to online banking and the rising savings rate is going to push JKHY as high as the Gateway Arch in St. Louis.

Here's what to do:

Use 5% of the funds allocated to this service to buy Jack Henry & Associates (Nasdaq: JKHY, Rated "B") at the market.

Bitcoin 'Halves' Again Amid More Signs of a New Monetary Era

By Juan M. Villaverde

April's lockdowns brought more economic destruction in May, as Tony notes at the top of this month's issue.

But, when it comes to crypto, May 2020 was all about **Bitcoin's (BTC, Rated "A-")** third halving. This event is another step toward the inevitable and absolute hardening of supply at 21 million total bitcoins.

As of May 11, block rewards issued every 10 minutes went down to 6.25 from 12.5. This is the message recorded on the first Bitcoin block mined after last month's halving:

> ***NYTimes 09/Apr/2020 With $2.3T Injection, Fed's Plan Far Exceeds 2008 Rescue***

It's a wink and a nod to what Satoshi Nakamoto wrote on the very first block in 2009. Here's what Bitcoin's pseudonymous creator noted for eternity back then:

> ***The Times 03/Jan/2009 Chancellor on brink of second bailout for banks***

More than 10 years passed between these two events. And the case for owning Bitcoin is growing stronger by the day. Central bankers, led by the U.S. Federal Reserve, continue to press the gas on "QE Infinity."

We've seen some downside action as traders "bought the rumor" and "sold the news." Bitcoin, as it has in the aftermath of the two previous halvings, shortly established firm support. Now, we can expect a strong rebound.

We'll talk about all that in a moment.

First, I'd like to share with you some thoughts on what legendary trader and Forbes 400 billionaire Paul Tudor Jones (PTJ) has been saying about Bitcoin in the wake of all the money-printing going on ...

"Quantitative Hardening" in a World Crazy on QE

As everybody knows by now, "halving" is the 50% cut in the rate new Bitcoin are created. Halvings occur roughly every four years. Think of this process "Quantitative Hardening" — new supply is being made scarcer until, ultimately, it will be hard-capped.

This is the polar opposite of what we're getting from monetary policymakers around the world. Central bankers, including most notable Federal Reserve Chair Jerome Powell, think they can happily print "infinite amounts" of money.

They say they'll do whatever it takes to keep an absurdly overleveraged and irretrievably broken financial system from collapse.

"QE Infinity" is why more and more "smart money" is starting to flow into Bitcoin — they're hedging against the in-motion Great Monetary Inflation.

In his latest investor briefing, PTJ shared some of his reasons for buying Bitcoin. Most intriguing was his evaluation of how Bitcoin, traditional financial assets and gold stack up as stores of wealth.

According to PTJ, Bitcoin scores 60% as well as traditional financial assets as a store of wealth. In an efficient and rational market, Bitcoin's market capitalization would be about 60% of the total market cap of financial assets. But it's only a very small fraction of that right now. In theory at least, it means Bitcoin should be worth about 720 times more than it is today.

He also says Bitcoin scores 66% as well as gold. Assuming an efficient and rational market, that means Bitcoin's market cap should be somewhere around 66% of gold's value. But it's only one-sixtieth right now. Another way to say it is Bitcoin's price should be about 40 times higher than it is today.

The Case for $180,000

Sure, Bitcoin doesn't have gold's track record as a store of value. It's only been around a dozen years, whereas the history of the Midas metal is almost the history of humankind.

And, where it counts most, gold has a market cap of some $9 trillion. Bitcoin weighs in at a meager $160 billion and change. That's a big difference.

What's notable is that, as more and more investors from the traditional financial world discover Bitcoin's true potential as a safe-haven asset, it's going to do a lot of catching up.

Now, here's why the halving process is important: Because there's a hard ceiling on the number of bitcoins that will ever exist the *only* thing that can move is Bitcoin's price ...

Given its "quantitative hardening in a QE world" profile, it seems to me the only real question is, how far *up* can Bitcoin move?

I don't expect to see it rise by 720 times. Nor is a 40-fold increase the base-case scenario.

Now, assume Bitcoin captures just one-third of gold's "safe-haven" respect. That's reasonable: a rise of 20 times present levels to around $180,000.

The bottom line is once it's established as a "safe haven" asset, Bitcoin is going to blast off.

And, with the likes of Paul Tudor Jones on board, that moment is coming, sooner rather than later ...

About That Price Action

For some time, our model has been anticipating a short-term sell-off following a top at or around the date of Bitcoin's third halving.

Put simply, crypto assets are overbought right now. That's why we aren't adding to our holdings this month. The smart play right now is to be patient.

As soon as we get the correction our model anticipates out of the way, we'll jump back into crypto assets. And we'll ride the next explosive bull move — perhaps to $180,000.

But there's still some froth to be worked off in the aftermath of the post-March 13 rally.

For now, hold all your crypto positions. And let's wait for a better buying opportunity.

Here's Tony with updates on stock portfolio holdings.

Stock Portfolio Update

By Tony Sagami

Alibaba Group Holding Ltd. (NYSE: BABA, Rated "B-") We know that cloud storage revenues have been the most powerful growth engine for Amazon (Amazon Web Services) and Microsoft, but the same is true for Alibaba, which dominates the Chinese cloud storage market. And Alibaba doesn't have to lose one minute of sleep about Amazon or Microsoft muscling into its cloud business. The Chinese government will see to that by keeping western companies out of China.

The cloud is big, big business and Alibaba has almost all the gigantic Chinese market to itself. Continue to hold.

Amazon.com Inc. (Nasdaq: AMZN, Rated "C+") may be the most ideally positioned company on the planet right now. It looks set to cruise through the COVID-19 pandemic.

Yes, Amazon has been doing gangbuster business since the outbreak, pulling in $75.5 billion of revenue in the first quarter. At the same time, its most profitable division is growing like mad.

Amazon Web Services (AWS) just pulled in $10.2 billion of revenue for the three months ended March 31. That's a 33% year-over-year increase. That's nothing new: AWS has been growing like Jack's beanstalk. Continue to hold AMZN.

Booz Allen Hamilton Holding Corp. (NYSE: BAH, Rated "B") hasn't moved much in the month since I first recommended it. That should change once management reports quarterly results on May 26.

Wall Street expects 69 cents per share of profits, but BAH is a serial overachiever, beating the consensus the last four quarters in a row. Continue to hold BAH.

Copart Inc. (Nasdaq: CPRT, Rated "C+") is like one of my wealthiest friends. He dressed just like my father, a uniform of worn-out dungarees and threadbare flannel shirts. It took him decades to make a good living, but he became fabulously wealthy almost overnight.

My friend owned a junkyard — but it wasn't just any junkyard. It was in La Jolla, Calif., one of the most scenic and exclusive towns on the Pacific coast. A developer with deep pockets paid him tens of millions for the property.

Copart is making millions as an operating business. But, like my friend, the property it owns is growing more valuable by the year. Continue to hold CPRT.

Crown Castle International Corp. (NYSE: CCI, Rated "B") reported mediocre first-quarter results. But let's not pooh-pooh "mediocre" when the rest of the world is drowning in red ink.

Management reported revenue of $1.3 billion, a 5% increase on a year-over-year basis. Funds from operations were $1.42, up one cent from a year ago.

During normal times, these numbers would disappoint. In the context of the COVID-19 lockdown, they look spectacular. Continue to hold CCI.

The Walt Disney Company (NYSE: DIS, Rated "D+") is a tale of two businesses: one a vast media empire, the other a theme-park operator.

Disney can't make any money from shuttered theme parks. But its media businesses, especially the new Disney+ streaming service, are doing great. Disney+ has only been in operation for six months but has already pulled in $33.5 billion of sales.

	March 28, 2020	March 30, 2019	Change
Disney+	33.5	—	nm
ESPN+	7.9	2.2	>100 %
Hulu			
SVOD Only	28.8	23.2	24 %
Live TV + SVOD	3.3	2.0	65 %
Total Hulu	32.1	25.2	27 %

Plus, Disney's theme parks will soon re-open. The one in Shanghai opened on March 11, and it completely sold out within hours.

Will Disney see the same stampede when it opens its U.S. parks? Judging from the results in China, the answer is very likely "yes." Continue to hold DIS.

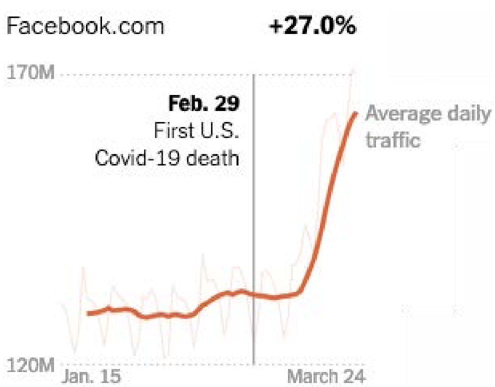
DocuSign Inc. (Nasdaq: DOCU, Rated "D") hit its 52-week high earlier this month.

One group the novel coronavirus hasn't derailed is "work-at-home" stocks. And the world is discovering the critical role that digital signatures will play in the new normal.

Better yet, I don't think it will be long before one of the tech giants makes an overpriced offer to buy the company. Continue to hold DOCU.

Facebook Inc. (Nasdaq: FB, Rated "C+") reported first-quarter results that reflect how Americans are spending their time under lockdown. Revenue of $17.7 billion was up 18% year-over-year, thanks to what management called "increased engagement" by its users.

According to Facebook, "People around the world are sheltered in place and used our products to connect with the people and organizations they care about."



Facebook also enjoyed a boost to its share price after it shelled out $5.7 billion for a 10% stake in Jio, the largest mobile phone company in India.

A few days later, private equity fund Silver Lake Partners invested $750 million at a 12.5% premium to the price that Facebook paid — that's a fast $710 million paper profit. Continue to hold FB.

Mercury Systems Inc. (Nasdaq: MRCY, Rated "B-") delivered better-than-expected revenues and profits for the first quarter. Revenue of $208 million was $8.8 million above expectations, while earnings of $0.60 per share were 15% higher than the consensus forecast.

Better yet, Mercury Systems upped its revenue guidance for the year from a prior range of $785 million to $790 million to $785 to $795 million. Continue to hold MRCY.

Microsoft Corp. (Nasdaq: MSFT, Rated "A-") decided to move its customers to the cloud years ago, and that decision is paying off in spades now that millions of Americans are working from their homes, where Microsoft excels.

For the first quarter, revenue surged to $35 billion, a 15% year-over-year increase. Much of that growth came from its Azure cloud division, where sales grew by 59% to $13.3 billion.

That's a home run. But the cloud transformation is only in the early innings. Statista, an online analyst, expects the cloud market to reach $1.9 trillion by 2022. Continue to hold MSFT.

NVIDIA Inc. (Nasdaq: NVDA, Rated "C+") is one of the top-performing stocks in the S&P 500 Index this year, up by more than 50%.

NVIDIA's chips are crucial for two of the most heavily used stay-at-home functions on the internet: online gaming and data centers that house the world's cloud storage.

It's a running family joke that I always send my son a box of his favorite cereal, Frosted Flakes, on his birthday.

That box has made stops at six different warehouses and still has to make one more to reach my son in Missoula, Montana.

Multiply that shipment by a couple million each day and you'll start to understand why **Prologis Inc.'s (NYSE: PLD, Rated "B")** national network of shipping warehouse is an invaluable piece of the e-commerce revolution.

Prologis will pay a 58 cents per share dividend on June 30 to shareholders of record as of June 15. Continue to hold PLD.

We may not be going out to restaurants or traveling, but we are still using our credit cards like crazy. **Visa Inc.'s (NYSE: V, Rated "B-")** first-quarter results certainly bear this out.

Visa made $1.39 per share, well above the $1.35 consensus forecast, on $5.89 billion of revenue.

Visa owns a global ecosystem that makes it possible for merchants, banks and consumers to effortlessly do business with each other. The demand for that service is only going to grow. Continue to hold V.

Weiss Ratings Crypto Investor Portfolio

Recommendations	Reco Date	$ Cost	Current Quote ($) as of 05/20/20	Total % Gain
Crypto Positions				
Cardano (ADA/USD) **	9/12/18	$0.05368758	$0.05642900	5.1%
EOS (EOS/USD)	9/12/18	$5.39210000	$2.60	-51.8%
Holo (XHOT/USD)	11/19/18	$0.00060100	$0.00052600	-0.1%
Bitcoin (BTC/USD)*	4/26/19	$8,629.30	$9,563.05	10.8%
Fantom (FTM/USD)	8/7/19	$0.02205500	$0.00515300	-76.6%
Ethereum (ETH/USD)***	8/7/19	$206.04	$207.32	0.6%
Tezos (XTZ)	11/27/19	$1.25753900	$2.76	119.5%
Stock Positions				
Nvidia (NVDA)	10/19/18	$229.17	$358.80	56.6%
DocuSign (DOCU)	12/28/18	$40.50	$128.77	217.9%
Overstock.com (OSTK)	4/26/19	$13.07	$18.54	41.9%
Facebook (FB)	7/12/19	$204.87	$229.97	12.3%
Amazon.com (AMZN)	8/30/19	$1,776.29	$2,497.94	40.6%
Microsoft Corp. (MSFT)	10/2/19	$134.65	$185.66	38.3%
Mercury Systems (MRCY)	11/1/19	$74.60	$84.41	13.2%
Alibaba (BABA)	11/27/19	$200.82	$216.79	7.9%
Walt Disney Co. (DIS)	1/3/20	$146.48	$119.92	-17.5%
Prologis (PLD)	1/31/2020	$92.88	$87.12	-5.60%
Visa (V)	2/28/2020	$181.76	$193.86	6.80%
Copart (CPRT)	2/28/2020	$84.48	86.69	2.60%
Booz Allen Hamilton Holding Company (BAH)	4/24/2020	$75.86	$74.59	-1.67%
Jack Henry & Associates (JKHY)	**5/22/2020**	**-**	**Buy 5% @ market**	

** Bitcoin's $ Cost and Total % Gain columns reflect average of initial purchase 4/26/19 ($5,217.25) and subsequent buys 8/7/19 ($11,901.45), 8/30/19 ($9,584.37), 10/2/19 ($8,266.70), 11/1/19 ($9255.15).

** Cardano $ Cost and Total % Gain columns reflect average of initial purchase 9/12/18 ($0.06840000) and subsequent buy 11/27/19 ($0.03897516).

Disclaimer: Weiss Ratings Crypto Investor is strictly an informational publication and does not pro-vide individual, customized investment or trading advice to its subscribers. The information provided in the publication is based on our ratings plus our statistical and financial data and inde-pendent research. Unlike the data available on issuers of stocks and bonds, data in the cryptocurrency world is not scrutinized by auditors, regulators and exchanges. Although we make eve-ry effort to verify and "clean" the data we receive or collect, be aware that it can sometimes be less reliable than data we use to create our ratings on other investments, such as stocks, ETFs and mutual funds. The money you allocate to this service should be money you can afford to risk. References to examples of past performance are not intended to provide a total picture of position results, and past results are no guarantee of future performance. Data date: 05/20/20

 Sales: 877-934-7778. Subscription rate: $268 for 12 monthly issues. Single Issue Price: $22. Publisher: Martin D. Weiss. Editors: Juan Villaverde and Tony Sagami.
POSTMASTER: Send address changes to Weiss Ratings Crypto Investor, 4400 Northcorp Parkway, Palm Beach Gardens, FL 33410.