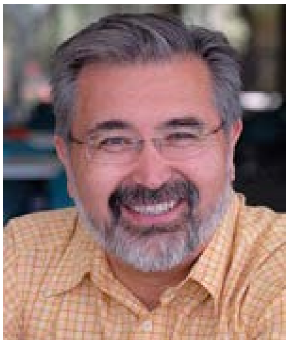
Weiss Ratings
Crypto Investor

April 2020 / Issue 21

Beltway Bandit Cashing in Big on Coronavirus

Buy shares now ...

By Tony Sagami



Because of pandemic panic, an estimated 25% of Americans are working out of their homes these days.

That translates into tens of millions of new entry points for cybercriminals who are constantly on the lookout for vulnerable entry points. Maybe even your computer.

This is a time when everyone desperately needs to up their cybersecurity. But for cash-strapped private businesses trying to survive government lockdowns, that's sadly not possible.

Uncle Sam, on the other hand, has an unlimited printing press. So, far from tightening its belt, the federal government is spending mountains of money on cybersecurity and technology.

Route 495 is a 60-mile-long circle around the District of Columbia. Locals call it "the Beltway."

This region is home to hundreds of companies — pejoratively dubbed Beltway Bandits — that get rich and fat on government spending.

These "bandits" employ a revolving door of retired Congressional, White House, and Pentagon officials that work or serve on their boards.

Sleezy? Perhaps.

But from an investors' standpoint, they are practically cash machines. Many of the most reliably profitable companies in the world ... are beltway information technology contractors.

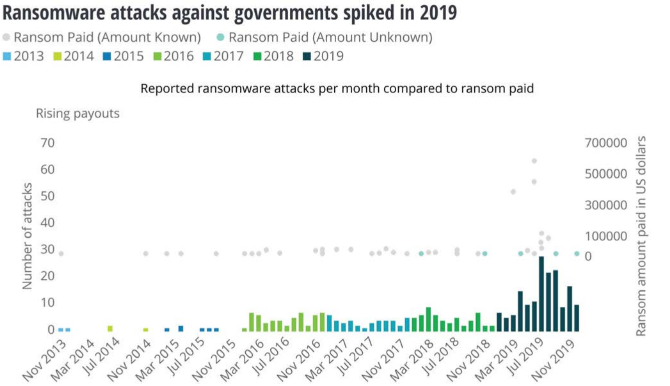
Soaring Needs for Cybersecurity

In 2018, 57% of federal agencies were the target of cyberattacks.

Twice in 2019, cybercriminals used ransomware, a type of malicious software, to hack into computer networks, shut down computer systems and demanded a ransom to restore them. ...

FIGURE 2

Ransomware attacks against governments spiked in 2019



Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

First, in May 2019, the city of Baltimore was hit with a ransomware attack. Hackers demanded $76,000 — which Baltimore refused to pay.

Smart or not, that decision wound up costing the city $18.2 million in restoration costs and lost revenues.

Then, a month later in June 2019, hackers tapped into Lake City, Florida commuter system and demanded $460,000 to restore it.

***Inside** this Issue ...*

Unlike Baltimore, Lake City ponied up — and regained access to its municipal computer systems.

Even more than traditional defense contractors, like **Raytheon (RTX)**, **Lockheed Martin (LMT)** and **Northrop Grumman (NOC)**, the government nowadays needs cybersecurity defense contractors. Now more than ever.

Last year, the federal government spent $45.7 billion on information technology. That will jump to $53.6 billion this year. And the U.S. Department of Defense plans to spend an additional $42 billion on IT.

Table 16–1. FEDERAL IT SPENDING
(In millions of dollars)

	2017	2018	2019
Non-Defense	44,924	45,554	45,775
Total	**44,924**	**45,554**	**45,775**

The analysis in this chapter excludes the Department of Defense and classified spending.

That's just the federal government. Don't forget the 50 state governments, 3,143 county governments, plus dozens of major cities that are also spending massive amounts on information technology.

Unlike spending in the private sector — which has been devastated by the coronavirus recession — government spending is as dependable as tomorrow's sun rise.

Another benefit for these contractors is they never have to worry about getting paid. Unlike private clients, squeezed by lockdowns and a recession, the federal government is never cash strapped.

Any time it runs out of money, it happily borrows more (or the Federal Reserve obligingly prints it). As a result, invoices issued for government work almost always get paid within 30-60 days.

Plus, government bureaucrats have a strong tendency to choose the same contractors over and over. This is especially the case when it comes to private, sensitive or national security issues.

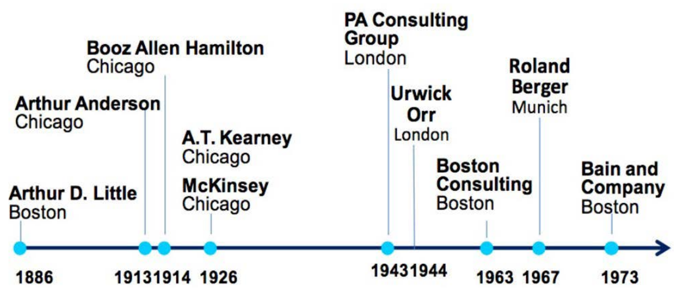
There are hundreds of corporate pigs jostling to feed at the government trough. But there's one company with cutting-edge cybersecurity and blockchain expertise that's perfectly positioned to really cash in.

Booz Allen Hamilton: Ready to Rise

The investment opportunity I'm talking about is the government's transition from analog to digital. This cannot be accomplished without outside expertise — in data science, digital solutions, engineering, programming and cybersecurity.

And let me tell you, the best brains in those fields are not working for the U.S. government. So, the government goes to **Booz Allen Hamilton (BAH)**, which has become an invaluable — and fantastically paid — tech partner.

Booz Allen Hamilton, founded in 1914 by Edwin Booz, was one of the first corporate consultants. Booz wanted to create a business that could objectively evaluate companies with outside eyes, help them operate more efficiently and grow their business.



His first clients were major corporations, like **The Goodyear Tire & Rubber Company (GT)** and **Canadian Pacific Railway Ltd (CP)**. Then in 1914, he landed a contract with the U.S. Navy to help it prepare for World War I.

But the real game-changer came after World War II. Booz Allen Hamilton won an avalanche of contracts from desperate, war-torn foreign governments that needed to rebuild.

Fast forward to today, and the firm is one of the most trusted cybersecurity, data analytics, digital solutions providers on the planet.

It's also a stock that's headed much, much higher.

5 Reasons to Buy Booz Allen Today

Reason No. 1: The U.S. government is the best customer in the world. Booz Allen is living breathing example of how wildly profitable doing business with the government can be.

Proof: Out of the $7.27 billion that Booz Allen Hamilton pulled in last year, a whopping 96% came from government agencies and military. Wow!

Heck, if you read through the company's annual report, you'll find the "U.S. Government" mentioned in almost every paragraph.

And it's because if this partnership that the coronavirus pandemic hasn't touch the company at all. Whenever a government agency needs a new website — such as State Department travel restrictions, or an IRS site to track the $1,200 stimulus checks — they call Booz Allen Hamilton.

So, while most of corporate America is bleeding business and laying off, furloughing or reducing hours for their employees, Booz Allen Hamilton is riding the crest of an incoming tidal wave.

Reason No. 2: Rock-Solid, Super Steady Revenue Growth. Over the last five years, Booz Allen Hamilton has steadily grown revenues from $5.2 billion in 2015 to $6.7 billion. And there is a lot more where that came from.

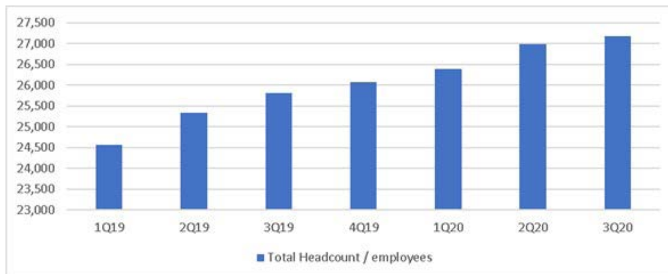
After all, the government is only going to need more cybersecurity protection in the future as the volume of data processed and stored grows and grows. International Data Corp. predicts that 60% of global GDP should be digitized by 2022 and generate $7 trillion in IT spending. You can bet your hat Booz Allen is going to grab a lion's share of that.

There is no question that the government's technology needs are going to grow larger and larger and larger. Here's a current, real-life example of the limitless ways this firm can — and will — assist the government in all its data needs:

The government is furiously using big data and artificial intelligence to evaluate, measure, and calculate best how to battle the coronavirus. Yes, Booz Allen has its fingers in that battle, too.

Reason No. 3: Classified Information Is a Big, Wide Competitive Moat. To win a government contract, especially a military contract, a company and its staff must pass stringent background checks.

And this requirement for security clearances narrows the competition substantially. Of Booz Allen's more than 26,000 employees, *66% already hold security clearances*. 29% are military veterans.



With so many former top government officials on its payroll, the firm has an intimate grasp of government programs and connections to key decision-makers that few other companies can match.

Illegal? No. Cozy? Absolutely.

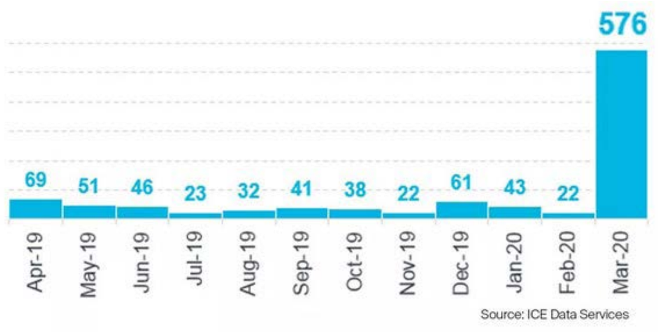
And that is why Booz Allen is certain to get many, many more U.S. government contracts going forward.

Reason No. 4: Billion Dollar Backlog. Business is so good, Booz Allen can barely keep up with the orders pouring in.

Last year, the company's order backlog increased from $19.3 billion to $22 billion. That's basically another three years' worth of business, already in the pipeline ... *guaranteed*.

Reason No. 5: Rising Dividends for Seven Straight Years and Counting. The March onslaught of pandemic panic clobbered dividends.

Hundreds of companies have suddenly been forced cut or completely eliminate dividend payouts as lockdowns killed their businesses.



Not Booz Allen Hamilton. It recently hiked its annual dividend from $1.08 to $1.24, a 14.8% increase.

And that won't be the last increase, either. The company has already raised its dividends for seven consecutive years, with no sign of slowing down.

The next 31-cent quarterly dividend will be paid in mid-May.

Booz Allen reports its next quarterly results on May 26. And just like the last three quarters in a row, I expect it to deliver better-than-expected results.

That's going to send its stock even higher. Here's what to do:

Using 5% of the funds allocated to this service, buy Booz Allen Hamilton Holding Company (BAH) at the market.

Fed Printing Enough Money to Buy Canada is Bullish for Crypto

by Juan M. Villaverde

If you were shocked by how much money the Fed printed to save the world from the last debt crisis, I hope you're sitting down.

Last month, the U.S. Federal Reserve announced another $2.3 trillion for Quantitative Easing (QE) — central-banker speak for plain old money printing.

That's many times greater than the money printed in QE1 in the wake of the Lehman Brothers failure.

In fact, it's roughly equivalent to the entire gross domestic product (GDP) of Canada!

And all it took was a few key strokes on Fed Chairman Jerome Powell's computer.

Even so, a lot of the self-appointed experts on YouTube.com and cable TV say this is too little, too late — that the Fed must print *even faster* to stave off a tsunami of defaults leading to a new Great Depression.

What nonsense!

How long does it actually take Chairman Powell to print another trillion new U.S. dollars? Open a new Excel spreadsheet. Type in the number "1" followed by 12 zeros. Then hit [return].

It really doesn't take much longer than that.

What does the fed *do* with all its new money? Well, in the old days, it would buy strictly bills, notes and bonds issued by the U.S. Treasury and certain U.S. government agencies.

Then, starting in the 2008 debt crisis, the Fed expanded its purchases beyond those limits, but still with many restrictions.

Now, to forestall an even bigger financial collapse, the Fed has abandoned any semblance of discipline and has gone all the way: no limit on how much money it prints. And no apparent limit to what it buys.

That includes not only government paper, but also corporate paper, municipal paper and more. What's worse, it not only includes high-quality corporate bonds, but also JUNK bonds.

What's next? Stocks? Used cars? Where does this madness end?

No Free Lunch

A decade of near-zero interest rates has resulted in borrowing on a scale that can never be repaid.

And the printing of enough new money to buy the entire GDP of Canada unleashes elemental forces that will *not* be denied.

Some say all this will end in economic collapse. That it will come when the Fed can no longer bail out legions of over-leveraged borrowers who are just one hiccup away from financial ruin.

I disagree. The coming collapse will not occur when the Fed "runs out of bullets." It will happen when the Fed's endless money printing destroys the greenback, taking down the U.S. dollar-based monetary system along with it.

To paraphrase hard-money historian Dr. Franz Pick, "In the end, all fiat currencies go to zero."

Don't Fight the Fed

Many advisors tell investors to never fight the Fed — even when it's careening right off the edge of a cliff.

I disagree again.

Because you now have a powerful new tool with which to fight back: **Bitcoin (BTC, Rated "B+")** (plus other leading cryptocurrencies).

Bitcoin was conceived and invented during the near meltdown of 2008. It was designed to be an exit-ramp from a currency system on the eve of extinction.

It is a new form of hard money even scarcer than gold itself. *Plus, it's impossible to confiscate.*

Bitcoin — and the high-quality cryptocurrencies that followed it — give you a haven to store your wealth and ride out the monetary apocalypse that's bearing down on all of us.

This is why *everyone* should own at least some crypto.

Especially right now, as crypto assets are seeing a modest pullback. Ever since crypto markets confirmed their March 13 low, we've been anticipating the next low to take place at some point in May.

Based on the price action we saw in early April, we have strong reason to believe this May low will be followed by strong rally in the aftermath of the Bitcoin halving — scheduled for May 15.

("Halving" refers to a 50% cut in the rate at which new Bitcoin are created. This happens roughly every four years. And historically, the halving is strongly associated with Bitcoin blasting up like a Roman candle.)

Accordingly, it's very nice to see our model line up so nicely with the date of the halving. This also reinforces the observation that crypto market participants are laying low, waiting for this big halving event before committing more capital.

Action to Take: Buy Bitcoin and Ethereum

While our crypto timing model isn't yet flashing any buy signals, I would be remiss if I failed to point out that you may *never* again see crypto prices much lower than they are right now.

For this reason, the best course of action is to keep buying Bitcoin and **Ethereum (ETH, Rated "B+")**, the world's two leading crypto assets. In this still-early stage of the crypto bull market, this is where we see the strongest moves up.

But you'll want you buy twice as much BTC as you do ETH, so I'm recommending an additional 5% position in BTC and an additional 2.5% in ETH. This will bring your total position in each to 20% and 5%, respectively.

Here's what to do:

Using 5% of the funds allocated to this service, buy Bitcoin (BTC, Rated "B+") at the market.

Using 2.5% of the funds allocated to this service, buy Ethereum (ETH, Rated "B+") at the market.

That's all for your crypto portfolio. Tony has a few updates for you in the stock portfolio as well.

Stock Portfolio Update

By Tony Sagami

Alibaba Group Holdings (BABA): America isn't the only country where e-commerce is growing like mad. The Chinese e-commerce market was growing by 20% a year *before* the coronavirus pandemic.

And Alibaba is grabbing up the bulk of that growth. Proof: Its revenues shot up 50% last year.

In the most recent quarter, Alibaba pulled in $20.3 billion of revenue, a record high.

It owns a whopping 55% market share of the entire Chinese e-commerce market. And just like Amazon, Alibaba is enjoying a surge of business from home-bound Chinese consumers. Continue to hold.

Amazon (AMZN): While the vast majority of businesses big and small are scrambling just to keep their heads above water, Amazon powers up to new all-time highs. It's up over 20% year-to-date.

Amazon Web Services (AWS) has more than double the market share of its next largest competitor and is about to hit $40 billion in annual revenues.

Worldwide cloud infrastructure spending and annual growth
Canalys estimates, Q4 2019

Cloud service provider	Q4 2019 (US$ billion)	Q4 2019 market share	Q4 2018 (US$ billion)	Q4 2018 market share	Annual growth
AWS	9.8	32.4%	7.3	33.4%	33.2%
Microsoft Azure	5.3	17.6%	3.3	14.9%	62.3%
Google Cloud	1.8	6.0%	1.1	4.9%	67.6%
Alibaba Cloud	1.6	5.4%	1.0	4.4%	71.1%
Others	11.6	38.5%	9.3	42.4%	24.4%
Total	30.2	100.0%	22.0	100.0%	37.2%

canalys

Note: percentages may not add up to 100% due to rounding
Source: Canalys Cloud Channels Analysis, January 2019

Amazon also quietly signed up 96 million customers for its Prime service and is now the second-largest streaming video on demand service, right behind **Netflix (NFLX).**

Amazon has the perfect business model to profit from shelter-at-home Americans. Continue to hold.

Copart Inc. (CPRT): These are going to be good times for auto salvage. This business is far sexy, I know. But it is extremely profitable. With 22 million Americans out of work, I expect a lot of people are going to shop junkyards for auto parts rather than pay through the nose for parts and repairs at dealerships.

Continue to hold.

Crown Castle International (CCI): The business model of this cellular tower firm is simple: The more data its customers transmit over its towers, the more money it makes.

With hundreds of millions of Americans at home, internet traffic has skyrocketed, especially over mobile phones.

Average Daily In-Home Data Usage by Device

GIGABYTES RECEIVED

SUN/MON/TUES PERIOD	CONNECTED TV	GAMING CONSOLE	PC/MAC	PHONE	SMART SPEAKER	STREAMING BOX/STICK	TABLET	GRAND TOTAL
MARCH 17-19, 2019	2.6	3.0	1.4	0.7	0.1	3.9	0.4	12.0
MARCH 15-17, 2020	3.6	4.4	1.6	1.0	0.1	5.4	0.6	16.6
PERCENT CHANGE	37%	48%	15%	53%	44%	38%	33%	38%

comscore

Source: Comscore Total Home Panel Custom Reporting

According to Comscore, internet traffic (as measured by gigabytes of data) over mobile phones increased by 53% in the last month. And yes, Crown Castle is making a mountain of money. Continue to hold.

The Walt Disney Company (DIS): All over the world, adults are binging on Netflix, but millions of children are binging on Disney movies. 50 million of them, to be exact.

In just five months, Disney signed up 50 million households for its Disney+ video streaming service.

This has propelled it into third place — behind Netflix (167 million customers) and Amazon (96 million).

Disney just rolled out its streaming service to Europe and India last month — great timing! — and that means another tidal wave of customers. Continue to hold.

DocuSign Inc. (DOCU): Instead driving down to their bank, real estate-office or lawyer, DocuSign makes it possible to sign contracts and agreements digitally … and remotely.

For a long time, digital signatures were a tough sell because people were more or less satisfied with paper, ink and notaries. But then the lockdowns hit.

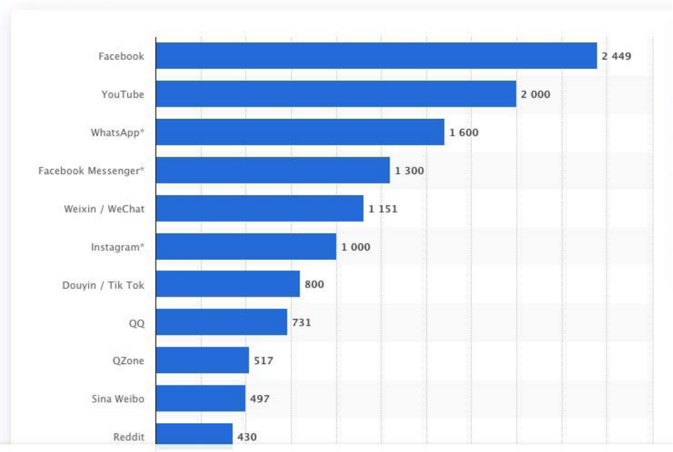
Now, businesses everywhere are waking up to a new reality. With face-to-face business meetings largely prohibited, the *only* way to sign and execute new contracts is via digital signatures.

And DocuSign is signing up more new business in a matter of months than it did in whole previous years.

The media continues to gush over stay-at-home stocks, like Netflix, **Zoom (ZM)** and Teledoc. But I think DocuSign could be the biggest winner of all. Continue to hold.

Facebook (FB): Zoom is a great video-conferencing service, that's been much in the news these days. But the service I most use to keep in touch with my children and granddaughter is Facebook Messenger's free person-to-person video calling service.

(in millions)



And don't forget that Facebook also owns WhatsApp and Instagram. These three are the third, fourth and sixth most popular social media platforms in the world.

In a time of global lockdown and social distancing, Facebook is going to profit handsomely from exploding social media traffic. Continue to hold.

Mercury Systems (MRCY): Like Booz Allen Hamilton, Mercury Systems gets almost all — 95% and counting — of its business from the U.S. government.

Mercury Systems provides the indispensable brains (chips) to the Pentagon's drone program.

With all the teeth-gnashing over China and Russia, it's poised to collect billions in new revenue, supplying the U.S. military with cutting-edge, mission critical technology.

Mercury Systems will soon release quarterly results, and Wall Street analysts are expecting profits of 52 cents per share.

MRCY, however, is one of those habitual profit overachievers. Which means our single-digit gain could soon turn into a double-digit winner. Continue to hold.

Microsoft (MSFT): Thousands of businesses and millions of people have started to depend on video conferencing instead of face-to-face meetings. Zoom's downloadable video-conferencing app may be getting most the media attention now, but its security shortcomings are a fatal flaw.

In fact, Zoom is so easy to hack, even the FBI warned consumers against using it.

Meanwhile, the world's best video-conference platform in the world is probably the one provided by Microsoft Teams. That's because it offers the best combination of security, scalability and ease of use.

Looking ahead, that means a mountain of new business and recurring revenues for Microsoft.

And get this: Earlier this month, Microsoft Teams hosted 2.7 billion minutes of video conference meetings — in a single day. That's just ONE day! Continue to hold.

NVIDIA Corp. (NVDA): Yes, people are spending more time than ever on the internet. That has generated a huge increase in traffic at the centralized data centers.

That, in turn, ignited booming demand for storage hardware, and especially the GPU (graphic processing units) that NVIDIA makes.

And GPUs aren't just for video game graphics anymore. Their blazing fast processing speed also makes them ideal for steaming videos — which, of course, is a growing global obsession. Continue to hold.

Prologis Inc (PLD): Remember, Prologis owns the warehouses used to transfer goods bought over the internet, which makes it a key part of the U.S. supply chain.

The reason to own this stock is simple. The more Americans shop over the internet, the more money the company makes. In other words, if you like Amazon, you should love Prologis. Continue to hold.

Visa Inc. (V): E-commerce sales are booming, but not enough to make up for the drop in everything else, particularly gasoline sales.

Because of this, Visa's stock price has come under pressure. The coronavirus pandemic, however, is a short-term — not permanent — problem. Continue to hold.

Weiss Ratings Crypto Investor Portfolio

Recommendations	Reco Date	$ Cost	Current Quote ($) as of 04/23/20	Total % Gain
Crypto Positions				
Cardano (ADA/USD) **	9/12/18	$0.05368758	$0.03989000	-25.7%
EOS (EOS/USD)	9/12/18	$5.39210000	$2.69	-50.1%
Holo (XHOT/USD)	11/19/18	$0.00060100	$0.00032900	-45.3%
Bitcoin (BTC/USD)*	4/26/19	$8,742.44	$7,469.55	-14.5%
Fantom (FTM/USD)	8/7/19	$0.02205500	$0.00314200	-85.7%
Ethereum (ETH/USD)	8/7/19	$224.51	$187.70	-16.4%
Tezos (XTZ)	11/27/19	$1.25753900	$2.48	97.2%
Bitcoin (BTC/USD)	**4/24/2020**	**-**	**Buy 5% @ market**	
Ethereum (ETH/USD)	**4/24/2020**	**-**	**Buy 2.5% @ market**	
Stock Positions				
Square (SQ)	7/27/18	$69.85	Sold 3/27 (-23.6%)	
Amplify Transformational Data Sharing ETF (BLOK)	9/13/18	$19.97	$17.15	-14.1%
Nvidia (NVDA)	10/19/18	$229.17	$286.15	24.9%
DocuSign (DOCU)	12/28/18	$40.50	$101.79	151.3%
IBM (IBM)	2/22/19	$139.25	Sold 3/27 (-22.4%)	
JPMorgan Chase (JPM)	3/15/19	$99.76	Sold 3/27 (-8.6%)	
Overstock.com (OSTK)	4/26/19	$13.07	$8.80	-32.6%
Facebook (FB)	7/12/19	$204.87	$182.28	-11.0%
Amazon.com (AMZN)	8/30/19	$1,776.29	$2,363.49	33.0%
Microsoft Corp. (MSFT)	10/2/19	$134.65	$173.52	28.9%
Mercury Systems (MRCY)	11/1/19	$74.60	$79.58	6.7%
Alibaba (BABA)	11/27/19	$200.82	$209.96	4.5%
Walt Disney Co. (DIS)	1/3/20	$146.48	$100.99	-31.1%
Prologis (PLD)	1/31/2020	$92.88	$87.87	-5.40%
Visa (V)	2/28/2020	$181.76	$166.59	-8.30%
Copart (CPRT)	2/28/2020	$84.48	68.08	-19.40%
Booz Allen Hamilton Holding Company (BAH)	**4/24/2020**	**-**	**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).

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