We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.

MacNicol & Associates
Asset Management

Contact us today if you would like to meet about your investment future. *info@macnicolasset.com*

BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.

Makapu'u Point Light,
Waimanalo, Hawaii

The Makapu'u Point Light on the island of O'ahu has the largest lens of any U.S. lighthouse. The lighthouse was constructed in 1909 and its nautical range is 17 miles. The lighthouse was added to the National Registry of Historic Places in 1977.

Puerto Morelos Lighthouse, *Quintana Roo, Mexico*

Puerto Morelos Lighthouse is an active lighthouse in the town and port of Puerto Morelos. The lighthouse was first constructed in 1905.

**Feel free to send us your photos of Lighthouses to be featured in our weekly market observations. **

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Bed Bath & Beyond files for Bankruptcy

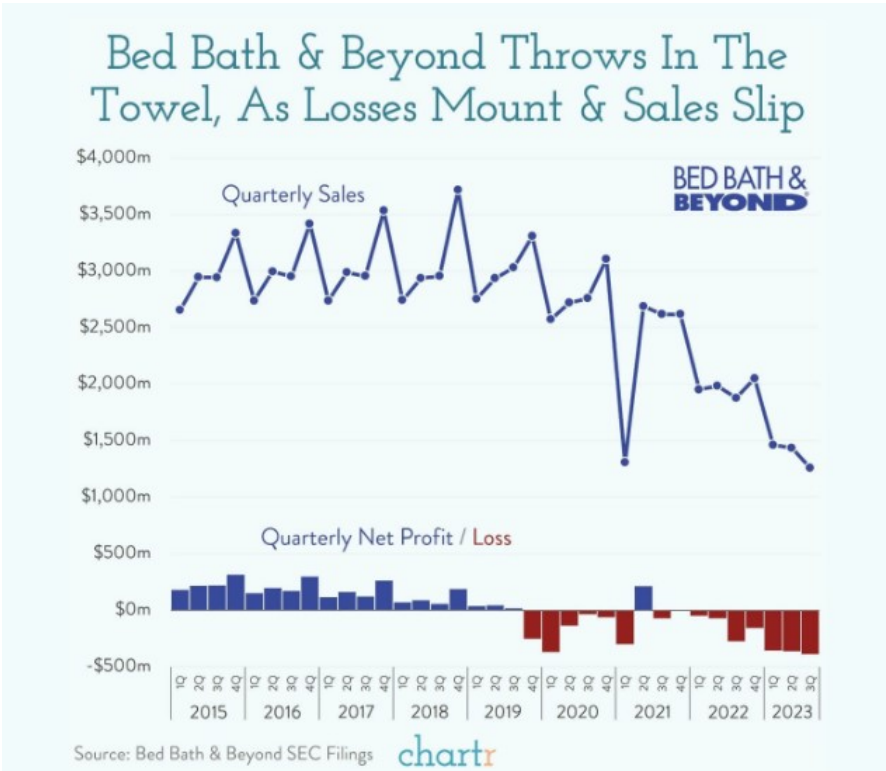
After months of avoiding bankruptcy, Bed Bath & Beyond filed for Chapter 11 protection on Sunday. The company seemingly threw in the towel after months of effort.

The bankrupt retailer was once a favorite for retail traders. Bed Bath & Beyond partook in the 2020/2021 short squeezes where retail traders piled into heavily shorted stocks. Coincidentally all these heavily shorted companies were companies they knew quite well. These young retail investors grew up going to GameStop to buy video games, going to AMC to see a movie in theatres, and buying towels or a candle at Bed Bath & Beyond. Fast forward 10 years and we have the age of e-commerce as well as the streaming industry.

Bed Bath & Beyond shares soared post-financial crisis quadrupling in price between 2009 and 2015. Since then, shares have plummeted, shares were down 37% on Monday. Bed Bath & Beyond's market capitalization was once $17 billion and is now sitting below $100 million. (The short squeeze we were talking about earlier is represented by the yellow portion of the chart below. Shares increased from $5 to $30 over this period.) After Sunday's Chapter 11 filing, Bed Bath & Beyond shares are down 82% since its mid-1990s IPO.

For many market participants this Chapter 11 filing comes as no surprise as Bed Bath & Beyond was struggling to create a profit and in turn, was burning through its dwindling cash reserves. For many consumers, this bankruptcy filing comes as a surprise as they continued to support and shop at Bed Bath & Beyond even through its struggles (many consumers might not even be aware of Bed Bath & Beyond's recent struggles). Even though Bed Bath & Beyond's trailing twelve-month revenue was greater than $6 billion, the company's net loss over the same period was $1.3 billion. The company also accelerated its cash burn over the last 3 quarters, burning through approximately $1.2 billion.

Bed Bath & Beyond's sales have also slipped in a major way over the last 5-10 years as consumers choose other retailers for their home furnishing desires:



Quarterly sales peaked in 2018 at over $3.5 billion, and now are sitting below $1.5 billion for the last 3 quarters.

Bed Bath & Beyond's liabilities have also grown larger than its total assets over the last 2 quarters.

What has us interested moving forward is who will capitalize on Bed Bath & Beyond's market share.

Bed Bath & Beyond currently has 360 stores. It has already closed over 500 stores to cut costs. Stores will remain open during the bankruptcy proceedings in the hopes of finding a buyer. However, if one cannot be found the company will eventually close all its locations.

The home furnishing industry in which Bed Bath & Beyond operated in is a $200 billion market in the U.S. The market has already consolidated in recent years to the largest retailers. Analysts expect Target, Walmart, and Amazon to be the biggest winners in terms of market share.

We will be following Bed Bath & Beyond closely throughout these proceedings. Since it is a meme stock, do not be surprised if its stock price surges in a matter of days on no news at all.

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Chamath pivots

Our buddy, Chamath Palihapityia has been a regular topic in this publication since its inception in 2021. After all, we began this publication at the height of the SPAC bubble and Chamath was the SPAC King (Chamath invested in what felt like 20-25 SPAC deals in a matter of months. (He invested in some of these deals as the sponsor and some as a PIPE investor)). Here are a few of Chamath's best which he promised would (all) change the world (just a refresher for those who forget):

Beyond the SPAC world, Chamath is a large figure across capital markets.

Chamath has regularly promoted Bitcoin as well as other cryptocurrencies. In recent years, Chamath (along with a friend) has claimed to own 5% of Bitcoin's circulating supply in the coin's early days.

Chamath began his career as a Facebook executive in Silicon Valley. Chamath eventually became a billionaire and is now a VC in the technology world. He is also a major cryptocurrency bull.

Chamath has promoted Bitcoin's store of value, security, and transferability as major reasons to be bullish for the cryptocurrency.

However, it seems Chamath's tune has changed.

This past week on the All in Podcast (a podcast co-hosted by Chamath), Chamath claimed: “Crypto is dead in America”. The man who once said Bitcoin would replace gold and would climb to $200,000 has become very cautious about the overall crypto industry.

Chamath blamed the industry's issues on regulators, specifically naming the SEC and their recent crackdowns on crypto trading platforms. The SEC has ramped up its enforcement of the crypto industry, bearing down on companies and projects that the regulator alleges were selling unregistered securities. Over the last 2 months, the SEC issued Coinbase a Wells notice, charged Bittrex, a trading platform, and is investigating Silicon Valley Bank for its ties with the cryptocurrency industry. Due to this crackdown from the SEC, many exchanges have begun to move their operations abroad.

Chamath made his $200,000 prediction in 2021 claiming the cryptocurrency would rise to that price in 5-10 years. A few months later he claimed gold was dead. Funny enough this is close to when Bitcoin hit its all-time high price. Bitcoin is currently trading 60% below its all-time high.

You might ask “How did Chamath come up with this price target for Bitcoin?”. We are not sure, maybe he threw a wild high number out there purely to excite the bulls or maybe he just found the value Bitcoin would need to be to replace gold's market capitalization at that time. Either way, he is throwing a number out there that is pure guesswork as you cannot accurately model the price of something with no fundamental value.

We would be curious to know if Chamath still owns the token or if he sold his holdings of Bitcoin.

Big move for a pension giant

The world's 18th-largest pension made a big move this week that caught our attention. According to the Chief Investment Officer publication, the Ontario Teachers Pensions Plan (OTPP) had the 18th largest pension fund in the world (as of September 2022). The publication estimates that the OTPP is worth $191 billion (U.S.) and is the second-largest pension in Canada. Only the CPP (Canadian Pension Plan) is larger.

In case you were interested here are the top 20 largest pension funds by assets under management:

Fund	Country	Total assets ($MM)
Government Pension Institute	Japan	1,730,900
Government Pension Fund	Norway	1,437,111
National Pension	South Korea	797,968
Federal Retirement Thrift	US	774,176
ABP	Netherlands	630,358
California Public Employees	US	496,820
CPP	Canada	426,746

National Social Security	China	406,787
Central Provident Fund	Singapore	374,990
PFZW	Netherlands	315,467
California State Teachers	US	313,940
New York State Common	US	267,756
New York City Retirement	US	266,702
Local Government Officials	Japan	248,572
Employees Provident Fund	Malaysia	242,602
Florida State Board	US	213,792
Texas Teachers	US	196,727
Ontario Teachers	Canada	191,140
National wealth fund	Russia	180,690
AustralianSuper	Australia	169,055

The OTPP is a large pension plan that has a substantial exposure to alternative investments which is why we follow them quite closely.

This week the OTPP announced that they would be closing one of their investment teams. The OTPP closed its China equity investment team which is based in Hong Kong. The five members of this team based in Hong Kong were stripped of their licenses in Hong Kong on April 18th. The OTPP cited that this team would not be needed but their Toronto-based employees would continue to track global equity opportunities which include Chinese listed companies. The OTPP's exposure to China is only 2% of its portfolio. In January the OTPP announced that they would be pausing any future private investment in China for several reasons. Growing tensions between the West and China are a major driver for these decisions.

The OTPP recently opened two new offices in Mumbai and San Francisco.
Although this move might seem irrelevant and small in the grand scheme of things, it might become a major trend as Western investors divest from China purely due to tension and geopolitical risk. Even though we like to find value when buying securities, it is hard to ignore other risks associated with investments.

In today's climate, the geopolitical risks associated with Chinese securities greatly outweigh the country's favorable valuations.

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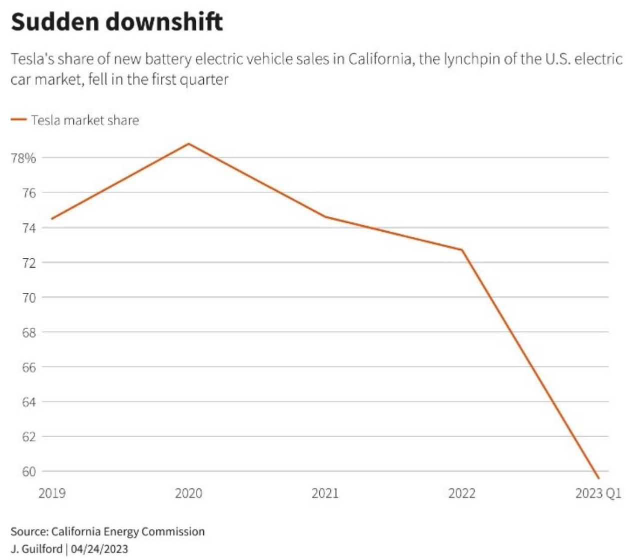
Tesla loses some market share

California is the greenest state in the U.S.

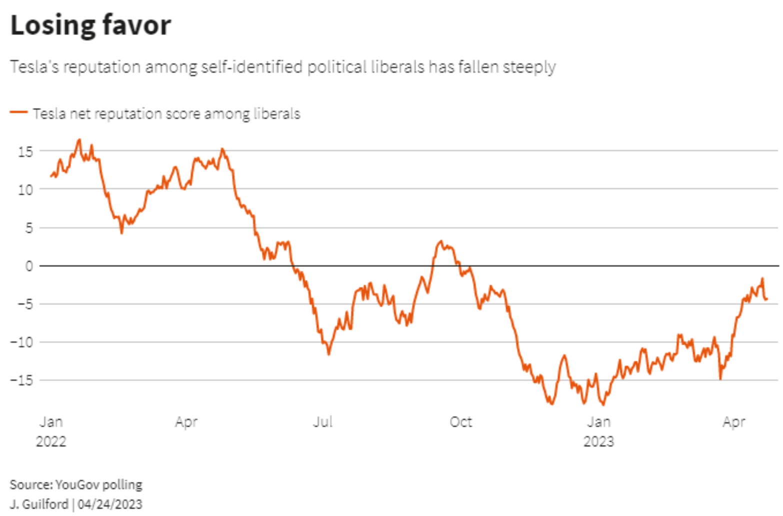
They have the most electric vehicles in the country and their fleet of EVs makes up the largest share of a state. Tesla has long relied on California sales; this has helped them dominate the EV market. In 2020, Tesla accounted for almost 80% of new EV sales, 3 years later and that number has dipped below 60%.



Analysts believe prices are playing a large role in Tesla's market share shrinking. GM repped the second largest piece of the California market at 8.5%. GM offers an extremely cheap Chevrolet Bolt which helped them increase their share of total sales in California. German EVs also increased their market share in California increasing to 13% from 7% last year.

Reuters and Morning Consult also point to Tesla's CEO Elon Musk and his popularity amongst liberals as a reason for Tesla's market share declining in California. California is a very left-leaning state and has seemingly turned-on Musk in recent months despite his climate advocacy.

YouGov polled Elon Musk's approval rating amongst liberals over the last 18 months:



His approval rating amongst Democrats has essentially flipped since he acquired Twitter.

Do we think Elon's popularity has impacted his company's sales? Perhaps but only by a little. Tesla's market share has decreased as more and more players enter the EV market and offer competitive prices to consumers. New and fresh designs could also push consumers towards other options compared to Tesla's which have now been around for a decade. The allure around a Tesla is also dwindling as mass EV adoption occurs.

It is also unrealistic to believe Tesla will continue to dominate the EV market moving forward. The EV market will closely mirror the traditional automobile market which is extremely fragmented in terms of market share by company.

Here are the total unit sales (in the U.S.) by each automaker for 2022:

Company	Units Sold
Toyota	1,849,751
Ford	1,767,438
Chevrolet	1,502,389
Honda	881,201
Hyundai	724,265
Kia	693,612
Jeep	684,612
Nissan	682,731
Subaru	556,581
Ram	545,194

The auto market is extremely competitive, and as more and more companies enter the EV market, Tesla's market share will continue to shrink.

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This story does not imply Tesla is selling fewer cars. It simply states that their market share is shrinking as the overall EV market expands.

These figures come as Tesla released its first-quarter earnings for 2023 last week. Tesla's earnings, revenue, and profit margins declined during the quarter. Tesla reported Q1 revenue of $23.33 billion, slightly below Street estimates of $23.35 billion, with Q1 adjusted EPS coming in at $0.85, below Street estimates of $0.86. Tesla announced more price cuts at its earnings call to compete with cheap models offered by other brands. Tesla's Model 3 has been cut by 11% this year and its Model Y has been cut by 20%. Funny what competition does to a company that briefly had a monopoly.

Tesla's earnings did not impress investors. Tesla shares dropped 8.8% over the last 5 days (as of April 25th) in response to these earnings being released.

During Tesla's earnings call, CEO Elon Musk announced that Tesla's highly anticipated Cybertruck would probably begin delivery during the third quarter of this year.

Some analysts also seem to believe Tesla demand is slowing down and could hamper the company moving forward. In Q1, Tesla delivered 423,000 cars yet it produced 440,000 cars. This could represent some backlog in inventory. Tesla's price cuts could be an internal move to fix their slowing demand.

With slowing sales, more competition, and lower margins, Tesla valuation seems way too high. Tesla is valued for hypergrowth, yet it is not growing near as fast as it used to be.

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