

## Monthly Depth Report – April 2022

My apologies for getting this out late. I received a last-minute invitation to go to the Bitcoin 2022 conference in Miami, and wanted to be there to learn more. For those of you who are skeptical of cryptocurrency and think it might not be “real”, I completely understand your view. However, I do believe decentralized finance has a significant role to play in a world where fiat currency is being devalued, and the amount of capital, energy, and intellectual horsepower being poured into the space is incredible. One of the highlights was meeting the CEO of a rapidly growing virtual real estate business. It sounds crazy until you start to understand the details of how it works. Please feel free to read more about it [here](#).

We’re still very much in a macro market being driven by inflation and Federal Reserve policy. Our most recent [piece](#) on the subject explains why we think the recent CPI of 8.5% (which is a huge number) is understated by around 100%. We continue to stand by our profitable calls from 4Q ’21 to buy gold, silver, and oil.

Other highlights from the last month include a conversation with [Raji Khabbaz](#), Portfolio Manager of ArcanX and member of the Deep Knowledge Investing Board of Advisors titled, “[All the News is Bad. Why do Markets Keep Going up?](#)” Raji makes some excellent points on the current investment landscape, and viewers can see the kind of discussion and debate the two of us enjoy on a daily basis.

We also had a fascinating conversation with Nick Korzhenevsky. Nick is an economist who escaped Russia just before the war started, and who got his portfolio in cash and hedged just before the Russian market closed. His comments on the sanctions and international finance are available [here](#). His story is both personal and instructive when it comes to risk control.

Regular readers know we've been concerned about inflation for a while, and food price inflation in particular. We started suggesting that people start stockpiling food in [January](#) and reiterated that point last [month](#). No one who has been in a supermarket in the last quarter believes that food price inflation is only in the single digits as the US Bureau of Labor Statistics would have us believe. A shortage of grain due to lack of planting in Ukraine and lack of fertilizer availability is going to make things even worse in a few months.

I promise our subscribers that I put my own capital behind every recommendation DKI makes. So, today I headed to Costco to stock up on bulk good with a long shelf life. In addition to rice, beans, and many cans of tuna fish, I also got plenty of lemons, limes, and olives. I don't think the world is ending, but if it does, we'll at least be able to enjoy a good cocktail. I also always buy extra toilet paper at Costco, and will never get tired of reposting this tweet:



I'm writing this on the second night of Passover, and the night before Easter, two very meaningful holidays. As usual, I have a personal story to relay. My grandfather had a well-earned reputation as a legendary salesman. Once, during a terrible Michigan snowstorm, he was called out to a customer's home to figure out if they could install a new bathroom in the

basement. Based on the existing space and plumbing, an added bathroom wasn't a possibility, so in negative 10-degree weather and with 3 feet of snow on the ground, my grandfather sold the man an air conditioning system. As I said, he was a legend.

When I was in college, I spent an afternoon with him to see him in action on a sales call. His customer needed a new roof, and didn't want to spend the money. We sat at her kitchen table, and she insisted over and over again that she didn't want to buy a new roof. I was disappointed as I wasn't witnessing the great salesman I had been told about my whole life. Out of nowhere, my grandfather asked the homeowner, "how would you like to pay for this?". I kept still, but was shocked and dejected. I thought he wasn't listening to her. I thought he was completely out of touch. I (mistakenly) thought I had some idea of what was going on at that table.

The customer happily decided to pay by credit card and signed the contract. When we got in the car, I asked my grandfather how he knew that she was ready to buy. His answer was simply that it was time to close the sale. To this day, I don't know what he saw, and don't think he could have articulated it, but a lifetime of doing his job at an incredibly high level provided him with a level of pattern recognition that I didn't have at the time. I saw my grandfather at his best that day. Smiling and gently guiding his customer to the solution she needed. I was thrilled to have been wrong and to have witnessed him as the great salesman I had always heard he was.

Surprisingly, I saw the same skill set at Costco today. The older gentleman who scanned my canned food (and olives) made friendly conversation during our few minutes together. He wished the customer before me a Happy Easter, but as I completed my purchase and started to head for the door, he wished me a happy holiday. I turned to him in shock and asked him how he knew I was Jewish. He simply replied that he could tell from what was in my cart. When I looked surprised, he noted that he's a professional cashier and this is what he does all day. Like my grandfather, he possesses extraordinary pattern recognition in a very specific situation.

Here's the amazing thing: I don't keep Kosher and both shrimp and bacon were in my cart! Still, somehow, he knew.

People sometimes ask me how Deep Knowledge Investing covers so many different kinds of companies. In addition to a lifetime of contacts, and an incredible [Board of Advisors](#), much of investing is a matter of pattern recognition. Decades of seeing what kind of investments work and which ones don't, or knowing which financial metrics are predictive and which ones are misleading allow us to act quickly during periods of volatility and transition. It allows us to see real problems while the Federal Reserve was insisting that inflation was "transitory".

If any of you have questions, concerns, or thoughts regarding issues we should address in a future depth report, please feel free to reach out to me at [IR@DeepKnowledgeInvesting.com](mailto:IR@DeepKnowledgeInvesting.com). If you think a friend, RIA, family office, or portfolio manager would be interested in this monthly commentary, please feel free to pass it on to them.

Thanks for being part of Deep Knowledge Investing,

Gary Brode

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