



Toro Bravo Investment Advisors, LLC

Investor Update

Newsletter

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Disclosures

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<https://adviserinfo.sec.gov/firm/summary/288435>

1. Meme -a humorous image, video, piece of text, etc., that is copied (often with slight variations) and spread rapidly by Internet users. -Dictionary (Powered by Oxford Dictionaries)

2. Hedge Fund- a limited partnership of investors that uses high risk methods, such as investing with borrowed money, in hopes of realizing large capital gains. -Dictionary
Only Accredited Investors are permitted to invest in Hedge Funds. -TBIA

The Kids Playing Video Games in Mom's Basement vs. Aristocratic Hedge Funds -The Greatest Prank Ever!

-By Brian Keith Moon and Mubashir Subhani

“Giants are not what we think they are. The same qualities that appear to give them strength are often the sources of great weakness.” -Malcolm Gladwell ‘David and Goliath’



-Images taken from Redditt group 'Wallstreetbets'

The following is informational only and NOT a recommendation to buy or sell any security.

Something strange happened last week. A bunch of punk 'meme'rs¹ (Ok Brian made up that word, Subhani had nothing to do with it.) figured out a trading vulnerability involving a few stocks, in particular Game Stop. Certain Hedge Funds² started heavily 'shorting' the stock of Game Stop due to a view that the company was overvalued. The short interest in Game Stop exceeded 100%. Is that possible? Yes, it is. Let's discuss what 'shorting' is.

Shorting involves borrowing shares from a broker and selling them into the market. Then at a later time the short seller buy's back the shares in the open market to repay the loan and pays an interest rate to the broker for borrowing the shares.

If the 'shorted' company's stock goes down, the seller can make a profit. If the 'shorted' company goes up the seller loses money. How much can the seller lose? If no stock is available to purchase then *unlimited losses*.

In January's Newsletter we pointed out that the US savings rate has increased. More people are investing that ever before. New accounts at Robinhood, Interactive Brokers, and Schwab spiked last year.

Many young investors are trading, particularly using Robinhood. My son asked me to help him open a Robinhood account. (I'm like, "hey you know what I do for a living right?") So where are these investors going for investment idea's? Marketwatch? Seeking Alpha? Yahoo Finance? The answer is a big fat No! They are going to Social Media.

On Redditt there is a group called WallStreetBets. If you go to Reddit and watch the memes and dialogue, (and we did) you will see the passion and the William Wallace style rebellion against tyranny of the Hedge Fund elites and

3. Alexandria Ocasio-Cortez Representative NY 14th District

4. We don't condone using that particular word but wanted to provide the context seen on the social media group.

5. James Cramer of Mad Money speaks of traders ganging up to destroy a position he took in certain stocks when he worked at Goldman Sachs.

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any who support them. They even have their own terms like 'diamond hands' and 'hold the line'. If this is a movement and it certainly feels like one, they are getting support from names like Mark Cuban, Ted Cruz, and AOC³.

The WallStreetBets group are open about why they are buying GameStop and it's not about value. The view is the Hedge Funds are evil and trying to destroy their beloved GameStop by shorting it into bankruptcy. (Most probably don't actually shop GameStop but download their games.) The following expression repeats on the group site, "*We can stay retarded longer than they can stay solvent!*"⁴

So how are they breaking some Hedge Funds? By banding together and coordinating their investments. Remember, if the stock goes up short sellers lose money. Once the ball started rolling other investors (sensing a chance to make money) started investing, pushing GameStop to unbelievable highs. GameStop has gone from \$17 a share in the beginning of 2021 to \$334 as of January 29, 2021.

But the story of the Giants against the William Wallace's doesn't end there. Robinhood and Interactive Brokers briefly, stopped allowing purchases of GameStop and about 10 other names. The outrage was predictable since a number of Hedge Funds are customers and direct investors in both companies. To make matters worse Vlad Tenev, CEO of Robinhood, gave a really bad interview on CNBC on January 28th that, frankly, didn't help. It seemed that Robinhood is rigged against the customer and that's the story that is being told.

We don't believe that either firms are colluding with the Hedge Funds. *The brokerages need to be sure when this crashes and it will, they are not going to be damaged by investors who are not only wiped out, but end up owing the broker money.* They also are required by regulators to protect against market manipulation. So, they are in a tight spot.

The Hedge Funds are screaming for the SEC to intervein and stop this. But Hedge Funds have done this same thing to others⁴. The power dynamic has shifted. By coordinating through social media, these punky investors are taking big money to task. When you have a big bat, you can move markets. The bat has been taken away from institutions and being used on them by a bunch Reddit Group gamers.

"And I would have gotten away with it, too, if it weren't for you meddling kids!" -Any bad guy on Scooby Doo.

Welcome back Kelly

We welcome back Kelly Grayless, Insurance and Marketing Specialist. After a few months off to resolve some family issues, she is back and ready to serve our clients and friends.



"We are Bullish on Your Financial Future!"

