Cabot
EXPLORER
The World's Best Stocks



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**Portfolio Changes**: **Sea Limited (SE)** – Move From Hold to Sell

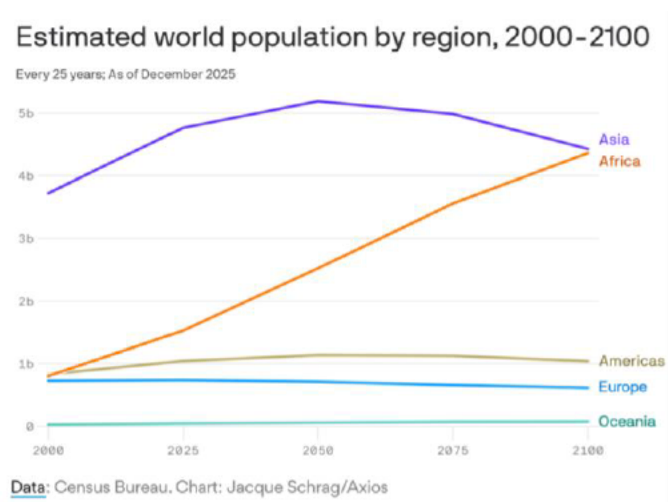
## Microsoft Picks Canada as Hydro Energy Powers Ahead

To begin, just a reminder that there will be no update next week due to the Christmas holiday, but there will be an issue the following week, on New Year's Eve. Happy Holidays, everyone!

Moving on, as we head into the end of the year, stocks and particularly tech stocks struggled a bit this week in choppy trading. *Explorer* stocks pretty much traded in line with the market this week with nothing to brag about. After all the fanfare, **Ford (F)** abruptly dropped the once-heralded all-electric version of its F-150 Lighting pickup to follow Toyota's strategy of shifting into more hybrids. The price of this fiasco is almost $20 billion in charges. Electric vehicles, including plug-in hybrids, account for about 10% of new car sales in the United States, but in Europe they account for almost 30% and in China more than 50%.

Ford has 10,000 dealers around the world but only 2,800 are in the U.S., so it must remain competitive abroad where competition is a dog fight. **BYD (BYDDY)** cars can now be recharged in less than 10 minutes at its ultrafast chargers. BYD's dreams of gaining a beachhead in Mexico are lower now as Mexico is planning to impose tariffs of up to 50% on a broad list of Chinese and other Asian imports.

The broad outline of world population trends seems clear for this century: Africa soars, China sinks, and the rest of the world mostly treads water. Seeking to head off a sharp decline that would halve its population by 2100, China announced it will cover all out-of-pocket expenses related to childbirth next year.




Do you ever wonder where China gets all that money to build out its Navy and fund all those subsidies? China primarily uses financial resources from China's VAT and State-Owned Enterprises (SOEs) that generate massive profits, dividends, and tax contributions, acting as one giant state asset. At least 100 SOEs are on the Fortune Global 500 list of the largest companies in the world by revenue. The United States has 139 companies on this list compared to 130 for China.

As China demand for manufacturing goods shrinks, even German exports to China have fallen by a quarter since 2019 while its imports have soared. China will be importing the remaining two pandas from Tokyo's Ueno Zoo, ending a program that has symbolized friendship between the two countries since diplomatic ties were re-established in 1972.

Amid all the noise, you may have missed that **Microsoft (MSFT)** is investing $5.4 billion over the next two years to expand its existing data center capacity in Canada. The investment is primarily aimed at strengthening Canada's AI and cloud infrastructure in Toronto and Quebec City.

Microsoft has pledged to keep Canadian data on Canadian soil and is launching a new "Threat Intelligence Hub" in Ottawa. This hub will allow experts to work closely with the Canadian government on cybersecurity threat monitoring.

This is a big win for Canada and is likely tied to one of the country's secret weapons: cheap, dependable hydro power. This is where we go for this week's new recommendation.

## New Recommendation - Brookfield Renewable (BEP)

A smart country has an "all of the above" strategy when it comes to energy production to make sure it generates reliable and low-cost electricity that its people and businesses need. The same goes for investors, who should have stakes in oil & gas, nuclear, hydro, and geothermal as well as some renewables.

Power generation has always been important for a country's economic growth and security and has taken on even more importance with the emergence of AI data centers, which demand an enormous amount of power.

China has built the largest power grid the world has ever seen. Between 2010 and 2024, its power production increased by more than the rest of the world combined. Last year, China generated more than twice as much electricity as America, enabling some Chinese data centers to pay half what American ones pay for electricity. Morgan Stanley projects that China will spend some $560 billion on grid projects through 2030.

In the United States, while the re-emergence of nuclear power is gaining traction, two other clean technologies capable of providing reliable, round-the-clock, baseload power at prices competitive with fossil fuels are often overlooked. One would be hydroelectric projects creating power by the rapid flow of water. The other is geothermal power.

Traditionally, geothermal power comes from drilling into naturally hot, water-rich rock formations and using that heat to generate steam, which drives a turbine to generate electricity. You can think of it as hot hydro. It's clean, efficient, and nearly eternal. So unlike solar and wind, geothermal is highly prized baseload power and its operating costs are minimal.

Geothermal is so steady that utilities are starting to see it as a potential replacement for retiring coal and nuclear plants because it delivers the same baseload output, minimal maintenance and zero emissions.

There are limited publicly traded stocks to tap geothermal power. **Ormat Technologies (ORA)** is the only pure-play geothermal power producer publicly traded in the U.S. It operates dozens of geothermal projects around the world and is expanding aggressively. While I like this stock, it is expensive, trading at more than 50 times expected earnings.

Instead, I have selected a hydro stock pick for this week's new recommendation.

**Brookfield Renewable (BEP)** is a global leader in renewable energy. It's one of the world's largest producers of hydroelectric power, which comprises almost half its portfolio.

The company sells the bulk of its power under long-term agreements (PPAs) that generate steady cash flow. Brookfield has an excellent financial track record including steady increases in dividends and free cash flow to fund acquisitions and project development.

This stock is often trading at a lofty valuation but is now more reasonable, trading at just 1.2x sales, and the company should benefit from surging demand for renewable energy due to AI data centers. Brookfield believes it can deliver more than 10% annual per-share growth over the next decade, powered by rising electricity prices, its extensive pipeline of renewable energy development projects, and additional acquisitions.

Brookfield Renewable has grown its earnings at a solid rate over the past five years and, with the stock about 15% off its November highs, this is a good entry point for us. **Buy a Half**

## Explorer Weekly Stock Commentary

***Below is a brief update on each Explorer stock. Any changes in ratings will be highlighted. This section is all you need to read each week.***

**Explorer Disrupter Recommendations – need to watch more closely and have a 20% trailing stop-loss in place.**

**Alibaba (BABA)** shares pulled back 7.4% this week on weak economic data coming out of China. It is a leading e-commerce platform, and attention is increasingly pivoting to Alibaba's new AI model Qwen, a powerful and useful tool for AI developers. Alibaba trades at a comparatively lower forward P/E than many other mega tech stocks. **Buy a Half**

**Archer Aviation (ACHR)** shares declined 9.4% this week as short positions hover over the stock despite shares trading at a sharp discount to competitor Joby. Archer Aviation's Midnight aircraft is a piloted electric takeoff vehicle that can house four passengers. In a recent test flight, a pilot flew 55 miles and averaged 126 miles per hour powered by an electric motor. This is a speculative stock and FAA certification would be an important milestone. **Buy a Half**

**Banco Santander (SAN)** shares were up 2.3% this week, making it three consecutive weeks of gains for the stock. SAN has more than doubled this year, so I recommend taking partial profits so you are playing with house money. Ana Botin is an outstanding bank CEO at the cutting edge of banking technology and AI. Banco Santander currently trades at about 11x earnings so it may well have some more upside potential. **Buy a Half**

**Coeur Mining (CDE)** shares were up 7.7% this week as Fed interest rate cuts boosted silver and gold prices. Consider taking partial profits off the table. Coeur is one of the world's largest primary silver producers and a significant gold producer with an aggressive exploration budget. **Hold a Half**

**Constellation Energy (CEG)** shares gave back 5.8% this week despite rising electricity demand from AI data centers shifting the trajectory of overall power demand into a higher gear. This is nuclear power and an AI infrastructure power play as the largest owner of nuclear power plants in the United States. Last year, it locked in a 20-year power purchase agreement (PPA) with Microsoft (MSFT) and Meta (META). The future looks bright for Constellation Energy's business, but the stock does trade at a premium to the market and comparable energy stocks so use some caution. **Buy a Half**

**Luckin Coffee (LKNCY)** shares were down 6.7% this week as China's economy continues to show weakness which is likely to impact some consumer stocks. During its recently reported quarter, revenues increased 50% year-over-year and Luckin opened 3,008 new stores. Luckin's coffee prices are very competitive. **Buy a Half**

**Sea Limited (SE)** shares are up this year but have pulled back 6% this week and 18% over the last month due to intense competition and rising costs. The fundamentals still look solid, but the stock's valuation currently trades at a price-to-earnings ratio of about 55x, which is well above the industry average. We have taken some partial profits already so I'm moving this to a sell. **Move From Hold a Half to Sell**

**Explorer Dominator Blue-Chip Recommendations – More Buy and Hold**

**Alphabet (GOOG)** shares retraced 7% this week as Oracle's weakness and overall concerns grow regarding potential overspending on data centers and hardware to support artificial intelligence. Alphabet is in the strongest position by far as the company holds nearly $100 billion in cash and marketable securities against just over $20 billion in debt. Furthermore, it generated around $48 billion in operating cash flow in a single quarter.

The company launched Gemini 3 Pro last month, and estimates show Gemini's generative AI market share doubling in the last year. **Buy a Half**

**International Business Machines (IBM)** shares are up 38% for the year but only 7% in the last six months, signaling weaker relative momentum. AI and quantum computing at IBM are not yet producing as much profits as its core cloud and consulting segments but are still an important part of the narrative. IBM remains a good conservative play on advanced tech. **Buy a Half**

## Explorer ETF/Fund Positions

**CurrencyShares Swiss Franc Trust (FXF)** gives you exposure to a high-quality country and currency with fiscal discipline, a trade surplus, and very little foreign debt, and a reputation as an asset haven in times of stress. **Buy a Half**

**Grayscale Bitcoin Trust (GBTC)** offers investors a way to track very closely to the day-to-day or "spot" movement of bitcoin prices. For aggressive investors comfortable with volatility. **Hold**

**JPMorgan Equity Premium Income ETF (JEPI)** offers double-digit yield coming from both option premiums and dividends using a value-focused strategy. **Buy a Full**

**Oberweis Micro-Cap Fund (OBMCX)** fund stands out for several reasons. The fund's sound investment process and strong management team earns it a rare Morningstar Medalist Rating of Gold. Over the past five years it has posted an impressive average annual return of 21%. **Buy a Half**

**ProShares MSCI EAFE Dividend Growers ETF (EFAD)** seeks to capture the performance of companies with at least 10 years of consecutive dividend growth. **Buy a Half**

**Sprott Platinum and Palladium ETF (SPPP)** offers direct exposure to both platinum and palladium which are selling at a sizable discount to gold offering potential upside appreciation. **Buy a Full**

**Stoxx Europe Total Market Aerospace & Defense (EUAD)** tracks an index of top defense contractors including Leonardo, Rheinmetall, and BAE Systems. **Buy a Half**

**Tweedy, Browne Insider and Value ETF (COPY)** provides exposure to a combination of value, international, small cap stocks managed by a stellar asset manager. **Buy a Half**

**VanEck Junior Gold Miners ETF (GDXJ)** is a basket of junior miners that has 84 positions with the top 10 accounting for 44% of total assets. Half of the stocks are Canadian, 21% Australia, and 7% from South Africa. **Buy a Half**

**WisdomTree Emerging Markets High Dividend Fund (DEM)** offers a high dividend yield and some of the highest quality emerging market stocks. **Buy a Half**

## Model Portfolio

| Stock | Price Bought | Date Bought | 12/17/25 | Profit | Rating |
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**The next *Cabot Explorer* issue is scheduled for December 31, 2025.**

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