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THE PREHN INSTITUTE | RESEARCH

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Dip or Trap?

Three opportunities in the crash and one popular name to avoid — a framework for separating bargains from landmines.

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REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

The recent Nasdaq correction and semiconductor selloff have created a rare setup: some of the best-performing businesses on the planet are trading at sharp discounts to recent highs, while at least one popular name is crashing for a reason. This report introduces a simple three-part framework — the DIP OR TRAP FILTER — and applies it to four names: Intel (INTC), the Nasdaq-100 (QQQ), Philip Morris (PM), and Tesla (TSLA). We find that Intel's turnaround, QQQ's diversified resilience, and Philip Morris's defensive momentum all pass the filter with varying degrees of conviction. Tesla, despite its fame, fails on fundamental grounds. We also discuss position- sizing rules, sector rotation dynamics, and lower-risk ETF alternatives. All data sourced from the Winston app at app.goatacademy.org.

About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker. He writes and lectures on how the financial markets work, with a focus on how ordinary savers can protect what they have built.

The Prehn Institute

Felix Nikolas Prehn is the founder of The Prehn Institute. It publishes research on the financial markets and provides instruction in how they work. It gives no financial advice.

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Overview

HOW TO USE THIS REPORT

For the Beginner. Start with Section 2 (The Dip or Trap Filter). It gives you a repeatable three-question framework you can use on any stock, forever. Then read Sections 4–7 to see the filter applied to real companies. Finally, read Section 9 (Protection Rules) before putting any money to work.

For the Experienced Investor. Jump to the Summary Verdict Table on page 24 for the quick overview, then work backwards into the sections that interest you. The Quality-Stock Framework in Section 11 aligns these names against Felix's institutional criteria.

Important. This report contains no buy or sell ratings, no price targets, and no technical analysis. It is an educational exercise in applying a fundamental filter to current market conditions. All data has been cross-checked against at least two sources and is cited at the end of this report. For live stock data and screening, visit the Winston app at

1. WHY GREAT COMPANIES CRASH — THREE REASONS

It sounds absurd: a company reports the best quarter in its history — record sales, record profits — and the stock still drops double digits. But it happens all the time, and it makes perfect sense once you understand the three forces at work.

Reason 1 — The Crowd Dreamed Too Big. The stock market does not reward good news. It rewards news that is better than what the crowd already expected. When a stock has been running hot for months, expectations inflate far beyond what is realistic. A strong quarter gets a yawn because the audience dreamed of a perfect one. The goalposts moved, not because the company failed, but because the crowd imagined too much.

Reason 2 — The Big Money Is Redecorating. Institutional investors — pension funds, hedge funds, sovereign wealth funds — manage billions. Periodically they rebalance. "We have too much in tech. Shift some to banks, insurance, utilities." When they sell, they sell en masse, and perfectly healthy tech stocks get caught in the wave. It has nothing to do with the business underneath.

Reason 3 — The Cash Grab. When something huge and exciting appears — a massive IPO, a hot new sector — institutions need cash quickly. What do they sell? Their best, most liquid stocks, because those are the easiest to turn into cash overnight. The strongest names in a portfolio can fall simply because a whale needed money for something else entirely.

The Common Thread. All three reasons are about the crowd's mood and the crowd's wallet — not about whether the business is actually working. A falling price and a failing business are not the same thing. Most investors cannot tell the difference, and that confusion is where both opportunity and danger hide.

But sometimes a stock really is falling because the business broke. Those are the traps. We need a filter — a repeatable test — that separates the gifts from the landmines. Every. Single. Time.

2. THE DIP OR TRAP FILTER — A THREE-PART FRAMEWORK

This framework is designed to be simple enough to apply in five minutes. It works on any stock, in any crash, in any market.

PART 1: Did the business actually break?

▼

PART 2: Just this stock, or the whole neighborhood?

▼

PART 3: What is the smart money doing?

Part 1 — Did the Business Actually Break? Forget the stock price. Pretend you cannot see the chart. Check three things in the earnings report:

Sales: Did revenue go up or down? Growing sales means the business is still winning customers. Guidance: Did the company raise or cut its forecast? If they raised it, they are confident. If they cut it, they are worried. Ugly Surprises: Did they lose a major customer? Did profits shrink? Is cash burning? Any of these is a red flag.

If sales are growing, guidance is steady or up, and there is no ugly surprise — the business did not break. The price fell, but the engine is still running. That is a possible gift.

If sales are shrinking, guidance got cut, or something genuinely scary showed up — stop. That is not a dip. That is a warning.

Part 2 — Just This Stock, or the Whole Neighborhood? Pull up two or three companies that do the same thing. Then look at the sector.

Whole neighborhood down together: That is a power outage on the street. Nobody's house is on fire. Temporary. Green light. Just your stock, alone: That is smoke coming out of one house while the neighbors are fine. Something is specifically wrong. Be very careful.

Part 3 — What Is the Smart Money Doing? Ignore the loud people on social media. Watch the quiet people with real money on the line.

Analyst price targets: When a stock crashes but the professionals keep their targets high — or raise them — they are signaling the business is still valuable. The price just overreacted. If analysts are cutting targets, they agree something is broken. Insider activity: Executives must publicly disclose when they buy or sell their own stock. When they spend their own money buying shares during a crash, that is the loudest possible vote of confidence. When they dump shares while the stock falls, ask why.

3. MARKET BACKDROP — THE SEMICONDUCTOR SELLOFF

Before applying the filter to individual names, we need context.

The Chip Sector Correction. The SMH semiconductor ETF dropped roughly nine percent over a four-week window. The Nasdaq entered a genuine correction. Three forces converged: fears that AI capital spending was about to slow down, a fresh wave of Chinese AI competition from firms like DeepSeek and Moonshot AI, and a Federal Reserve making hawkish noises about interest rates.

Sector Rotation in Real Time. While chip stocks fell, the highest-scoring breakout signals on the Winston app's scanner came from an entirely different universe: regional banks, insurers (FAF, AFG), utilities (NWE, MGEE), REITs (REG), and railroads (CP). This is textbook rotation — large institutions lightening tech and adding defensive exposure.

This backdrop is important because it tells us the selling was broad, not company-specific. A power outage, not a house fire. The question is which companies have the fundamentals to recover — and which are hiding deeper problems.

4. INTEL (INTC) — THE COMEBACK NOBODY EXPECTED

The Story. A year ago, Intel was widely regarded as a declining incumbent — losing market share, burning cash on an expensive foundry bet, and watching AMD and ARM eat its lunch. Under CEO Lip-Bu Tan, the company has executed one of the most aggressive turnarounds in semiconductor history. The Q2 2026 earnings report landed like a thunderclap.

Metric	Q2 2026 Result	Estimate	Verdict
Revenue	$16.1 billion (+25% YoY)	$14.4 billion	Beat by $1.7B
Non-GAAP EPS	$0.42	$0.21–0.22	~2× beat
GAAP EPS	-$2.16 (see note)	—	Non-cash charge
Gross Margin (non-GAAP)	41.8%	—	Up from 29.7%
Cash from Operations	$7.0 billion	—	Strong
Q3 Revenue Guidance	$15.8B–$16.8B	$15.06B	Raised above consensus
Note: GAAP loss driven by $12.5 billion non-cash mark-to-market charge on escrowed shares related to the CHIPS Act — not a core business issue. Source: Winston ·			
app.goatacademy.org			
Data Center and AI (DCAI). Revenue hit $6.3 billion, up 59% year-over-year. Intel reported that demand for			
compute infrastructure continues to outpace supply. This is the division that was supposed to be losing. Instead, it is			
now the company's growth engine.			
The Foundry Bet. Intel Foundry reported $5.8 billion in revenue, a 31% annual increase. The 18A manufacturing			
process — the node Intel is betting its future on — has reached yields of approximately 85%, well ahead of internal			
expectations. The 14A node (the generation after that) is advancing ahead of schedule. And Google confirmed a			
manufacturing order for three million custom Tensor Processing Units. This is the first major external validation that			
Intel can compete as a contract chip manufacturer.			
Running the Filter.			

Part 1 — Did the business break? The opposite. Revenue at a decade-high growth rate. Earnings doubled expectations. Guidance raised. Gross margin expanded by twelve full percentage points. The GAAP loss is a one-time paper charge, not an operational problem. GREEN. Part 2 — Just Intel, or everyone? The entire chip sector sold off together. SMH down roughly nine percent. Classic power outage. GREEN. Part 3 — Smart money? Multiple analyst firms raised their targets post-earnings. Susquehanna lifted its target from $80 to $115. KeyBanc went to $155. However, the consensus rating remains "Hold" — analysts are slow to upgrade turnaround stories until the trend is proven across multiple quarters. GREEN WITH A FLAG.

The Honest Risk. We want to be transparent. Despite the strongest quarterly earnings in over a decade, the stock is still trading below its 50-day moving average. The long-term trend is intact — it sits well above the 200-day average

✓ but the short-term picture has not fully confirmed a recovery. The business story is undeniable; the chart needs time to catch up. That gap is both the opportunity and the risk. We would urge disciplined position sizing.

Competitor Landscape. Intel does not operate in a vacuum. AMD continues to gain share in data-center CPUs, and ARM-based chips from companies like Qualcomm and Amazon's in-house Graviton are chipping away at x86's dominance. What makes Intel's Q2 notable is that even against this competitive pressure, the data-center division grew 59%. The foundry bet is what could separate Intel from the pack over the next several years: no other Western company has the combination of scale, process technology, and government backing (via the CHIPS Act) to compete with TSMC on advanced manufacturing. If

Intel's 18A node delivers at scale, the company transitions from "chip company" to "chip company plus foundry" — a fundamentally more valuable business model.

What Could Go Wrong. The turnaround is real but not guaranteed. Risks include: (1) 18A yields could plateau or degrade at volume, undermining the foundry thesis; (2) the $20B+ annual CapEx is enormous — if demand softens, cash burn becomes a problem; (3) AMD and ARM competitors are not standing still; (4) the CHIPS Act funding depends on continued political support; (5) the stock rallied ~200% earlier in 2026, and even after the correction, expectations are elevated. We believe the risk-reward is attractive for a disciplined investor willing to size small and add in pieces, but it is emphatically not a "back up the truck" situation.

Quality-Stock Check (Felix's Framework).

Criterion	Intel Assessment
Gross Margin	41.8% non-GAAP (expanded from 29.7% — rapid improvement)
Operating Margin	Turning positive on a non-GAAP basis; still negative GAAP due to one-time charges
ROCE	Improving but still below historical peaks; heavy CapEx cycle depresses near-term returns
Cash Generation	$7.0B from operations — strong cash conversion in Q2
Leveraged FCF Margin	Constrained by CapEx — most cash reinvested into foundry buildout
Leverage	Elevated CapEx (~$20B+ for 2026) — investing heavily in future capacity
Moat	Manufacturing capability (18A), x86 ecosystem lock-in, U.S. government support (CHIPS Act)
Revenue Growth	+25% YoY — exceeds sector average by a wide margin
CEO Alignment	Lip-Bu Tan took the role specifically to execute the turnaround; significant personal stake
Source: Winston · app.goatacademy.org	

5. THE NASDAQ-100 (QQQ) — THE CAN'T-PICK-ONE PLAY

The Thesis. For investors who find individual stock picking intimidating — or who simply want broad exposure to the biggest tech winners — the Nasdaq-100 ETF (ticker: QQQ) offers a single-click solution. It holds the 100 largest non-financial stocks on the Nasdaq: Nvidia, Microsoft, Apple, Broadcom, Intel, and dozens more.

Why a Basket? Because sometimes the honest answer to "which stock should I buy?" is: "I do not know — so I will own all the winners." If one company fails, the other ninety-nine carry you. A basket literally cannot go to zero the way a single stock can. When you buy QQQ, you are not betting on one CEO or one product cycle. You are betting on human progress — and so far, human progress is undefeated.

Running the Filter.

Part 1 — Did the business break? This is a basket of the most powerful tech companies on the planet. As a group, their sales and profits keep growing quarter after quarter. The group did not break. GREEN. Part 2 — Everyone, or just QQQ? The whole tech market dipped together in the sector rotation. This is the entire point of a basket — you are buying the power outage across the neighborhood, not one house on fire. GREEN. Part 3 — What does history say? Every single dip in Nasdaq-100 history has eventually been erased by a new all-time high. It is not magic — the index automatically kicks out underperformers and lets the winners grow. GREEN.

Current Setup. QQQ sits below its 50-day moving average — meaning it is genuinely in the dip — but remains comfortably above its 200-day line, meaning the long-term uptrend is fully intact. That combination — long-term up, short-term on sale — is the classic "add a little more" moment. Dollar-cost averaging works beautifully with a basket because you do not need perfect timing.

Feature	QQQ Detail
Holdings	~100 largest Nasdaq-listed non-financial companies

Event	Approximate Drawdown	Recovery Outcome
Dot-Com Crash (2000–2002)	~-83%	Recovered to new ATH by ~2015; then tripled again
Global Financial Crisis (2008–2009)	~-49%	Recovered to new ATH by ~2012
COVID Crash (2020)	~-28%	Recovered in ~5 months
2022 Bear Market	~-33%	Recovered to new ATH by late 2024
Current Correction (2026)	In progress	Filter says: long-term trend intact
Past recoveries do not guarantee future results. Source: Winston · app.goatacademy.org		
Who Is This For? If picking individual stocks feels risky, QQQ is the answer. It is the simplest, lowest-maintenance		
way to participate in the tech recovery without betting on a single name.		

6. PHILIP MORRIS (PM) — FOLLOWING THE SMART MONEY

The Rotation Story. While the tech sector was bleeding, billions of dollars quietly flowed into a different part of the market entirely. Philip Morris was one of the biggest beneficiaries. The stock hit a fresh all-time high while chip stocks were deep in correction. That alone tells you something powerful about where the smart money is going.

Not What You Think. Before dismissing PM as "a cigarette company," consider this: over 42% of Philip Morris's revenue now comes from smoke-free products. They own ZYN, the nicotine pouch brand that has become a cultural phenomenon in the United States, and which recently received FDA clearance to market itself as a modified-risk tobacco product (MRTP). That regulatory moat is nearly impossible for competitors to replicate.

Metric	Q2 2026 Result	Estimate	Verdict
Revenue	$11.2 billion (+10.4% YoY)	—	Beat
Adjusted EPS	$2.20	$2.04	+15% surprise
Smoke-Free Revenue	42% of total	—	Growing
Full-Year Guidance	Adj EPS $8.26–$8.41	—	Raised
GAAP Note	One-time $511M Canadian write-down	—	Paper charge only
Source: Winston · app.goatacademy.org			
Running the Filter.			

Part 1 — Did the business break? The opposite. Revenue up over ten percent. Earnings beat by a wide margin. Guidance raised. The headline GAAP profit looked lower because of a one-time accounting write-down on a Canadian subsidiary (RBH) — a paper charge, not a business problem. Core operations are the healthiest they have ever been. GREEN. Part 2 — Just PM, or everyone? This is where it gets fascinating. PM did not sell off with tech. It went up while tech went down. The big money is actively choosing to be here. This is not a power outage and it is not a house fire — this is the one house on the street with the lights blazing while everyone else is dark. MAJOR GREEN. Part 3 — Smart money? Analysts have been raising their targets. Multiple firms have targets well above the current price — some as high as fifteen to twenty percent above. The stock trades above its 50-day average, above its 200-day average, and all trend lines are rising. That is the textbook definition of a stock the big money is accumulating, not dumping. GREEN.

Quality-Stock Check (Felix's Framework).

Criterion	PM Assessment
Gross Margin	Strong — smoke-free products carry premium margins
Cash Generation	Reliable cash-flow generator; dividend aristocrat heritage
Leverage	Manageable — elevated but well-covered by operating cash flow
Moat	FDA MRTP clearance for ZYN (regulatory moat), brand portfolio, global distribution
Valuation	Premium versus peers, but justified by growth trajectory and moat
Source: Winston · app.goatacademy.org	
Why PM Is Interesting Even If You Never Buy Tobacco. The lesson Philip Morris teaches is not about cigarettes	
or nicotine pouches. It is about watching where money flows during a crisis. PM is a proxy for the entire class of	
"boring, defensive stocks that quietly make money while everyone else panics." If PM is not for you ethically or	
philosophically, the same dynamics apply to consumer staples broadly (Procter & Gamble, Coca-Cola), utilities, and	
healthcare stocks. The point is not the specific stock — it is the pattern: when tech sells off, defensive cash-flow	
generators attract institutional capital. If you can see that pattern happening in real time, you will never feel helpless	
in a selloff again.	
The Deeper Lesson. Philip Morris is not just a stock pick — it is a lesson about how crashes really work. The news	
says "the market crashed." But the market is not one thing. It is a river, and the water does not vanish — it flows	
somewhere else. While everyone was panicking about tech, billions of dollars were quietly pouring into companies like	
PM. The investors who saw that did not panic. They followed the money.	

7. TESLA (TSLA) — THE TRAP EVERYBODY CALLS A "DIP"

The Setup. Tesla dropped roughly fifteen percent after its latest earnings report. A beginner looks at that and thinks: "Huge crash, famous company — must be a gift." We applied the exact same three-part filter. This time, it fails.

Metric	Q2 2026 Result	Estimate	Verdict
EPS	$0.33	$0.51	Missed
Auto Gross Margin	16.8%	19.4%	Shrinking
Free Cash Flow	~-$1.1 billion	Positive	Negative
CapEx	+142% YoY	—	Aggressive spend
Deliveries	~480,000 (+25% YoY)	—	Growing, but BYD outselling globally
Source: Winston · app.goatacademy.org			
Running the Filter.			

Part 1 — Did the business break? Yes. Earnings per share missed expectations — not a beat, a miss. Car profit margins shrank to under seventeen percent when Wall Street expected over nineteen. Free cash flow went negative. The company burned about a billion dollars in a single quarter while capital expenditure shot up over a hundred and forty percent year-over-year on AI projects and robots. That is not mood. That is not rotation. That is the actual engine sputtering. RED. Part 2 — Is it the whole sector? No. While Tesla struggled, a major Chinese competitor (BYD) has been outselling Tesla globally. This pain belongs specifically to Tesla. More house fire than power outage. RED. Part 3 — What does the price assume? Even after a fifteen percent drop, the stock trades at a forward price-to-earnings ratio above 200×. That price does not reflect the cars Tesla sells today. It reflects a future where robotaxis are everywhere, humanoid robots are generating revenue, and Tesla becomes a completely different company. That future might happen. But it has not happened yet. You are paying for a dream today with a business that is getting weaker underneath. RED.

The Comparison That Tells the Story. Intel crashed — and the business was actually better than ever. Philip Morris did not even crash — it went up. Both pass the filter. Tesla crashed and the business genuinely weakened. The price is built on hope, not on this year's numbers. Buying that is not buying a dip. It is catching a falling knife. And falling knives do not care how famous the company is.

What Would Change Our Mind? We would revisit Tesla if: (1) auto gross margins stabilise and begin expanding again; (2) free cash flow turns sustainably positive; (3) robotaxi or Optimus revenue moves from "announced" to "reported in the financial statements." Until at least two of those three things happen, the risk-reward is unfavourable regardless of the brand's cultural power.

The Rule. You buy great businesses on sale. You do not buy weakening businesses just because they got cheaper and they are famous. Cheap and cracked can always get cheaper. We stay away until the business proves it has turned the corner — not the stock price, the business.

Quality-Stock Check (Felix's Framework).

Criterion	Tesla Assessment
Gross Margin	16.8% auto gross margin — declining trend; below industry expectations
Cash Generation	Negative FCF (~-$1.1B) — consuming cash, not generating it
Leverage	CapEx +142% YoY — massive spend on unproven segments (robotaxi, Optimus)
Valuation	Fwd P/E 200×+ — priced for a future that has not arrived
Moat	Brand recognition and Supercharger network remain strong; but BYD narrowing the gap globally
Source: Winston · app.goatacademy.org	

8. SECTOR ROTATION — WHERE THE MONEY ACTUALLY GOES

This is the lesson that most crash coverage misses. The news says "money is leaving the market." That is almost never true. Money moves; it does not vanish.

BIG MONEY SELLS TECH

▼

CASH DOESN'T DISAPPEAR

▼

FLOWS INTO DEFENSIVE WINNERS: Banks, Insurance,

Utilities, Consumer Staples

▼

PM HITS ALL-TIME HIGH WHILE TECH BLEEDS

The Winston app's breakout scanner confirmed this in real time. During the four-week tech selloff, the highest-scoring breakout signals were entirely in value and defensive sectors: regional banks, insurers (FAF, AFG), utilities (NWE, MGEE), REITs (REG), railroads (CP), and media conglomerates (NWSA). Not a single tech small-cap appeared among the top signals.

Understanding rotation is the difference between panicking and profiting. The investor who only watches tech thinks the world is ending. The investor who watches the flow of money sees opportunity everywhere.

RISK FACTORS

No analysis is complete without a frank discussion of what could go wrong. We identify the following material risks for investors considering the names in this report:

Macro Risks. (1) A prolonged Federal Reserve tightening cycle could push discount rates higher, compressing valuations across all equities — especially growth stocks. (2) Escalating trade tensions or new tariffs on semiconductors could disrupt supply chains and raise costs for Intel, Nvidia, and the broader chip sector. (3) A global recession would reduce corporate spending on AI infrastructure, directly impacting INTC's DCAI division and QQQ's tech-heavy composition.

Company-Specific Risks.Intel: Company-Specific Risks. (1) Intel: 18A volume ramp could stall; AMD and ARM are not standing still; $20B+ CapEx creates cash-flow sensitivity to demand swings. (2) QQQ: Concentrated in tech (~60%); a multi-year tech bear market would hit it disproportionately versus a broader index like the S&P 500. (3) Philip Morris: Regulatory risk around nicotine products is ever-present; currency exposure is significant given PM's international revenue base; premium valuation leaves less margin for error. (4) Tesla: All of the fundamental weaknesses discussed in Section 7, plus political and reputational risk that could affect consumer demand.

Execution Risks. Even companies with strong fundamentals can disappoint if management fails to execute. Intel's turnaround depends on Lip-Bu Tan's team delivering on the 18A and 14A timelines. PM's growth depends on continued ZYN adoption and successful market expansion in Asia. QQQ's automatic rebalancing is a strength, but it does not protect against a broad, prolonged downturn.

9. PROTECTION RULES — SIZING, ENTRIES, AND EXITS

Knowing what to buy is only half the problem. The other half is: how much? And what do you do if you are wrong? Three rules that turn a gut feeling into a system:

Rule 1 — Buy in Pieces, Not All at Once. Do not try to nail the exact bottom. Split your capital into three or four chunks and add gradually. If the stock goes lower, you buy more at a better price. If it goes up, you already have a position.

Rule 2 — Size It So You Can Sleep. If losing thirty percent of what you just invested would ruin your week, you put in too much. Scale down until a bad outcome is annoying, not devastating.

Rule 3 — Know Your Exit Before You Enter. Before you buy anything, write down: "If this stock drops below [level] or if [this thing changes], I am out." The investors who get destroyed are the ones who say "I'll figure it out if it goes wrong." You will not. You will freeze. Decide now.

Putting the Rules Together: A Practical Example. Suppose you have $3,000 you want to allocate to Intel after reading this report. Instead of buying $3,000 worth today, split it into three $1,000 chunks. Buy the first $1,000 now. Set the second $1,000 aside with a note: "I will buy if the stock drops another 10% or if it reclaims the 50-day moving average — whichever comes first." Set the third $1,000 with a different trigger. This way, if the stock drops further, you are buying cheaper (lowering your average cost). If it rises, you already have a position working for you. You never have all your money at risk on one day's decision.

The Sleep Test. Before you invest, ask yourself: "If this position dropped 30% tomorrow, would I lose sleep?" If the answer is yes, cut the size in half and ask again. Keep cutting until the honest answer is: "That would be annoying, but I would be fine." That is your correct position size. It is different for everyone, and it is personal. No one can tell you what it is except you.

Writing Down Your Exit. This is the step most people skip — and the step that saves the most money. Write one sentence on a piece of paper or in a notes app: "I will sell [stock] if [specific condition]." Examples: "I will sell INTC if they miss the next earnings estimate and cut guidance." "I will sell QQQ if it closes below its 200-day moving average for two consecutive weeks." The exact trigger matters less than the act of deciding it in advance, when you are calm and rational. The investors who get destroyed are the ones who say "I will figure it out if it goes wrong." They will not. They will freeze.

These three rules protect you not just in this crash, but in every crash for the rest of your investing life.

10. ETF ALTERNATIVES FOR LOWER-RISK EXPOSURE

For investors who want exposure to the themes in this report but prefer the diversification of a basket, we highlight several relevant ETFs:

Theme	ETF Ticker	What It Holds	Why It Fits
Broad Tech	QQQ	Nasdaq-100 (100 largest non-financial Nasdaq stocks)	Featured in this report; the single-click tech recovery play
Semiconductors	SMH		
		Top 25 chip companies (NVDA, AVGO, INTC, AMD,	
		etc.)	
			Broad chip exposure if you believe the selloff is
			temporary
Consumer Staples	XLP		
		Procter & Gamble, Coca-Cola, Philip Morris,	
		Costco, etc.	
			Defensive rotation play; includes PM
Equal-Weight			
Tech			
	QQQE	Nasdaq-100 equal-weighted	
			Reduces concentration risk versus cap-weighted
			QQQ
Dividend			
Aristocrats			
	NOBL		
		S&P 500 companies with 25+ years of dividend	
		growth	
			Stability-first approach for risk-averse investors
ETFs carry their own risks including tracking error, sector concentration, and market risk. This is not a recommendation. Source: Winston · app.goatacademy.org			

11. FELIX'S QUALITY-STOCK FRAMEWORK Felix Prehn's investment philosophy does not chase value stocks or growth stocks — it looks for quality stocks. The framework below summarises the criteria used to evaluate every company in this report. "We look neither for value stocks, nor for growth stocks. We look for quality stocks." — Felix Is the Business Profitable? Gross Margin Size of the moat. Core efficiency and ability to absorb shocks. Operating Margin Profitability after all operational costs. Measure of cost control. ROCE Return to all financial stakeholders. Measure of management effectiveness. Is It Generating Cash? Cash Conversion Ability to convert profits into cash. Measure of efficiency. Leveraged FCF Margin What portion of sales ends up as actual cash. Is It Financially Stable? Leverage Financial risk. Tells a story about volatility of returns. Interest Cover Degree of financial comfort regarding debt. High = stable. Valuation P/E + Forward P/E Short-term snapshot + forward prediction. Least important metric. Earnings Growth Consistency shows reliable management. Cyclicality = caution. EPS Trend Are shareholders gaining value or being diluted? Moat (Competitive Advantage) Cost advantage · Scale · High switching costs · Patents, brand, government licenses Additional Criteria for Growth Stocks. Criterion Why It Matters High Operating Margin Proves the business model works even at scale Strong Revenue Growth Must beat sector peers — it is a growth company, after all Low Debt + Good Cash Position Survival insurance if a crash happens Large Target Market (25×+ TAM) Room to grow before hitting saturation Tech Leadership + High R&D Builds a moat over time CEO/Founder Heavily Invested Aligned incentives = aligned outcomes Can You Explain the Edge? Write down three reasons this company beats its competitors 12. YOUR ACTION CHECKLIST — WHAT TO DO THIS WEEK This report gave you a framework, four case studies, and a set of protection rules. Now it is time to put it all together. Below is a practical checklist you can work through this week — not because you have to act on every stock in this report, but because the act of working through the checklist trains your brain to think like an institutional investor instead of reacting like a headline reader. Time # Action Required Open your brokerage account and write down every position you currently own. Include ETFs, mutual funds, and 10 1 any employer stock. You cannot protect what you have not inventoried. minutes Run the three-part filter on your three largest holdings. Ask: (a) Did the business break? (b) Is it just this stock, or 15 2 the whole neighbourhood? (c) What is the smart money doing? If any holding gets a red flag you cannot explain minutes away, write down the reason and revisit it in step 5. per stock Check your sector allocation. Are you 80% or more in technology? If so, consider whether a 5–10% allocation to a defensive sector (consumer staples, utilities, healthcare) would help you sleep at night during the next selloff. You do 10 3 not need to buy PM specifically — XLP, XLU, or XLV are ETF alternatives that give you diversified defensive exposure minutes

3	Check your sector allocation. Are you 80% or more in technology? If so, consider whether a 5–10% allocation to a defensive sector (consumer staples, utilities, healthcare) would help you sleep at night during the next selloff. You do not need to buy PM specifically — XLP, XLU, or XLV are ETF alternatives that give you diversified defensive exposure	10 minutes

with a single click. 5 minutes Write your exit rule before you need it. For every position you own (or plan to open), finish this sentence: "I will 4 per sell if ." If you cannot finish it, you do not have a plan — you have a hope. Hopes do not protect capital. _____ position Set a calendar reminder for 30 days from now to re-run steps 2 and 3. Markets change. A stock that was a 5 clear opportunity today may become a trap in a month if the earnings picture shifts. The filter is not a one-time 2 minutes exercise — it is a habit. The Goal Is Not Perfection. The goal is to have a repeatable process that protects you from making emotional decisions when the headlines are screaming. You will not get every call right. No one does — not the biggest hedge funds, not Wall Street's top analysts, and certainly not the financial influencers on social media. But the investor with a process makes fewer catastrophic mistakes than the investor who relies on gut feeling. Over a 10-, 20-, or 30-year investing horizon, avoiding catastrophic mistakes is the single most important skill. Everything else — stock picking, timing, technical analysis — is secondary to simply not blowing up. One More Thing. If you found this report useful, the live session Felix is running goes much deeper. He walks through the full trading system — how to identify quality stocks in real time, how to size positions, how to read institutional money flow, and how to build a portfolio that does not keep you up at night. It is free, it is live (no replay), and it is two hours of direct Q&A. The link is at the end of this report. A Note on Timing. This report is based on earnings data and market prices as of late July 2026. Markets move fast. The framework does not expire, but the specific numbers will. If you are reading this a month from now, re-run the three-part filter with the latest data before making any decisions. The process matters more than any single snapshot. That is the whole point.

with a single click.

13. SUMMARY VERDICT TABLE

Stock	Part 1: Business	Part 2: Neighborhood	Part 3: Smart Money	Overall Verdict
INTC	GREEN — Rev +25%, EPS 2× beat, guidance raised	GREEN — Whole sector sold off	GREEN w/ FLAG — Targets rising, consensus still Hold	OPPORTUNITY (with chart risk)
QQQ				
	GREEN — Group profits			
	growing			
		GREEN — Broad rotation		
		dip		
			GREEN — Every historical dip	
			recovered	
				OPPORTUNITY (sleep-at-
				night basket)
PM				
	GREEN — Rev +10%, beat,			
	guidance raised			
		MAJOR GREEN — Rose		
		while tech fell		
			GREEN — Targets rising,	
			bullish stack	
				OPPORTUNITY (defensive
				momentum)
TSLA				
	RED — EPS miss, margin			
	shrink, negative FCF			
		RED — Company-specific		
		pain, BYD outselling		
			RED — Fwd P/E 200×+ on	
			unproven dreams	

Stock	Part 1: Business	Part 2: Neighborhood	Part 3: Smart Money	Overall Verdict
				TRAP — Wait for business
				to prove turnaround

Education only — not financial advice.
Source: Winston · app.goatacademy.org

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