CHECKMATE

AMERICA FIGHTS BACK

EARN Triple-Digit Dividends

BEAT China's Trojan Horses

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Ian King's
Strategic Fortunes

Checkmate: America Fights Back

Earn Triple-Digit Dividends From Beating China's Trojan Horses

By Ian King, Editor, *Strategic Fortunes*

CHINA has already made no secret of its intentions to attack our digital lives, identities and financial security.

We opened the door and let the bad guy — China — into sensitive areas of our lives and finances.

Americans are well aware of some of these "Trojan horses" and the threats they pose.

Yet, for various reasons, we have decided the risk is worth the benefit.

About 70% of our phones are made in China.

But it's not just smartphones.

Consider drones.

Of the 900,000 commercial drones in the U.S., half — **half!** — are potential Trojan horses.

That's bad enough.

But what if I told you that you — or possibly your child or grandchild — have a Trojan horse right on your smartphone?

That's right. China has an app pointed directly at your brain — and your family's brains.

China is gathering data on your location coordinates, your online buying patterns and your browsing history. They're following your every moment and movement.

How?

With a little app known as TikTok.

Why TikTok Is More Than a Fad — It's Dangerous

You might be skeptical.

How can TikTok be any more dangerous than *Angry Birds* or *Candy Crush*? Sure, it's not the most productive use of time, but it's harmless — right?

Not so fast.

Governments around the world are already acting against this "harmless app."

- India banned TikTok in June 2020.
- TikTok pulled out of Hong King after issues surrounding the area.
- In December 2022, the U.S. banned TikTok on all federally-owned government devices.

But why?

The fear is that ByteDance, TikTok's parent company, will harvest and share the data it collects on **150 million U.S. users** with the Chinese Communist Party.

And the algorithms are smart enough to know what you want to watch next to keep your attention. The average user spends 90 minutes a day on here.

And its data collection is more than you'd think.

Its privacy policy states that it "collects the information you provide in the context of composing, sending or receiving messages." So … even if you type a message, but then delete it before sending — TikTok sees.

That's on top of everything else it requests access to:

- Your phone model.
- Screen resolution.
- Current operating system.
- Phone number.
- Email address.
- Location.
- Keystroke patterns.
- Contact lists.

TikTok is literally a spy in your pocket.

Now, surely if a company has such extensive, sensitive information, it's well-protected from cyber thieves, right?

Wrong.

On top of TikTok being hacked in the past, security researchers have also found existing vulnerabilities in the app.

It's no wonder that policymakers are working hard to ban the app in the U.S.

In late March, Missouri Sen. Josh Hawley tried to force a vote on legislation that would ban TikTok from operating in the United States within 30 days.

The vote was blocked for now, but Hawley remarked the app is "digital fentanyl." He wants to send a message to China that "[they] cannot buy us."

Regardless of whether TikTok is ultimately banned from the U.S., the fact remains that the app is a threat to American privacy. As more stories come out on TikTok's unethical use of data, Americans are going to start looking for an alternative.

That's where this special report recommendation comes in…

Forget TikTok: Go American

You see, TikTok gained popularity for its ability to create short 15-second clips that are compulsively watchable. But now, there are YouTube shorts, Instagram stories and Facebook reels…

That's where our recommendation comes into play.

As more Americans become disillusioned with TikTok — or the government moves to ban it — there will be no app left. Not only for those of us who choose to mindlessly watch videos from time to time — but for content creators and social media influencers.

"TikTok famous" is a phrase for a reason. Video creators can make bank on just one reel going viral. And they've made a livelihood on it.

So, if TikTok disappears, where do they go?

Instagram. Which just so happens to be owned by **Meta Platforms (Nasdaq: META)**.

While Meta is best known for its social media platform Facebook, it bought Instagram all the way back in 2012.

Since then, Instagram has brought in $162 billion in revenue for the social media giant.

It was a smart move.

Overall, it's indicative of Meta in general. It keeps one eye on the day to day — and the other on the future.

This Metaverse Company Is Primed for Total Domination

Meta Platforms (Nasdaq: META), formerly known as "Facebook," was founded in 2004 by Mark Zuckerberg and a few of his Harvard classmates. The group created Facebook.com, a social platform to connect friends and families.

Facebook changed the world. It reimagined how we gather and share information within social circles and communities.

Its initial product, TheFacebook.com, was a raw version of the Facebook we have come to know today. This early model was started just for college students.

Back then, Facebook introduced "The Wall," one of its most innovative concepts. It's an online message board where friends and fans can post anything from photos, their inner thoughts and website links. The brand-new concept lured users back to scroll through their latest Wall updates.

This was Facebook's tipping point — leading to mass adoption on college campuses. By the end of 2004, the company surpassed 1 million users. Corporate advertisers took notice, starting with Mastercard.

But the innovation didn't stop there. In 2005, Facebook introduced photo tagging. Through facial recognition software, users are identified in their own and others' photos.

The company also loosened its user requirements the same year, accepting high-school students and college students outside of the U.S.

These advancements turned out to be a huge success. It helped boost the company's monthly active users to 6 million by year-end.

Despite this rapid adoption, Facebook's user base still trailed Myspace, its rival social media platform. Myspace was created in 2003, just a year before Facebook.

By mid-2005, Myspace still commanded over three times Facebook's active user base.

This was probably attributed to Facebook's decision to limit its user base. Myspace's platform had no limits and was still popular among younger users.

Facebook's decision to focus on only the college demographic may have seemed like a mistake at first. But it set the company up for long-term success.

By starting small, Facebook focused on building its technology first. Controlled growth enabled the company to build better infrastructure and avoid technical problems that its competitors faced.

Facebook built its platform to have a clean and noncustomizable design. This helped the platform gain a reputation as a safer and more upscale hangout space.

When Facebook finally opened up its user base to anyone over the age of 13 in 2006, the company had already worked out the kinks to create a platform with a superior user experience.

Facebook's user base grew rapidly. It surpassed Myspace in 2009 when it reached 350 million active users. Today, Facebook now boasts 2.98 billion active users. That's 50% of the world's population over the age of 14.

Not only that, its revenue is one of the highest in the market.

Meta Platforms' Revenue Stream Is Beyond This World

What separates Meta Platforms from every other media company is the amount of data it gathers on each user. One study found that Facebook generates 4 million gigabytes of user data per day. It knows more about you than many know about yourself.

Facebook's advertising revenue is Meta Platforms' primary income stream. It allows advertisers to run effective, highly targeted ads using its artificial intelligence algorithms.

User data was a boon for advertisers. It led to exponential growth in Meta Platforms' revenue, which grew 33 times in five years, from $153 million in 2007 to $5.1 billion in 2012.

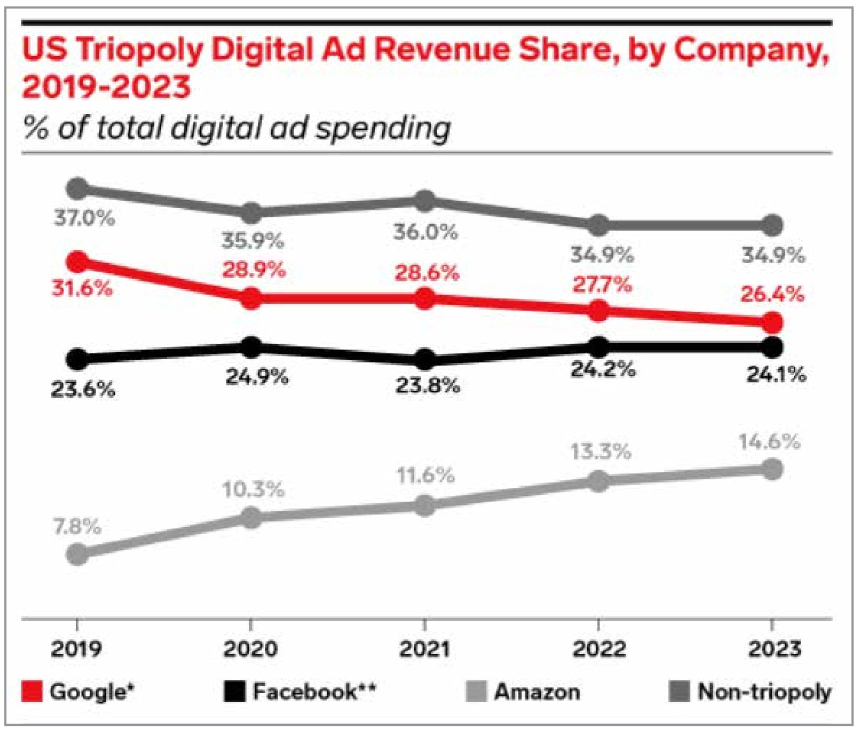
After that success, the company went public in 2012 at $38 per share. It was one of the biggest and most anticipated initial public offerings (IPOs) of the decade, with a valuation of around $100 billion.

The high valuation was warranted even though the company only generated $32 million in profit that year. At the time of the IPO, Meta Platforms had 845 million active users and was growing rapidly.

However, the stock quickly fell out of favor with the market. It dropped over 50% within four months.

But this was an incredible buying opportunity. Since the post-IPO bottom, the stock is up nearly 13-fold. The company has increased its net income by 72,400% to over $23 billion.

It now controls 24.1% of the digital ad spending market.



On top of its growing market share, Meta Platforms had several additions over the years that have paid off.

In 2012, it acquired photo-sharing platform Instagram for $1 billion. At the time, Instagram had only 30 million users and generated no revenue.

This became one of the greatest acquisitions in corporate history. Instagram recently surpassed 2 billion users and contributed $24 billion to Facebook's revenue in 2020.

In 2014, Meta Platforms acquired the global messaging platform WhatsApp for $19 billion. Despite being the world's largest messaging platform at the time with 600 million users, it only generated $10 million in revenue in 2013.

WhatsApp now has over 2 billion users. It contributed an estimated $8.7 billion to Meta Platforms' revenue in 2021.

In the same year, Meta Platforms purchased the virtual reality (VR) platform Oculus for $2.3 billion. This hasn't panned out quite like Instagram and WhatsApp … yet.

At the time of the acquisition, VR hardware had been around for nearly 20 years. However, it was limited by the speed of the semiconductors and network bandwidths used to run these virtual worlds.

Moreover, VR applications beyond video gaming were limited.

But the acquisition of Oculus is already paying off. The company's "Other" business segment, which is primarily Oculus revenue, has generated over $2.16 billion in the past 12 months alone.

Most of the revenue comes from Oculus unit sales. However, it has recently incorporated ads into VR applications.

This number already trumps the price Meta Platforms paid for Oculus, even though the acquisition was originally seen as a bust.

Zuckerberg has said that "mobile is the platform of today, and now we're also getting ready for the platforms of tomorrow."

What Zuckerberg is hinting here is that Facebook doesn't control an operating system in the mobile era. Right now, Apple's iOS and Google's Android are the mobile gatekeepers.

He sees the metaverse as the next operating platform and wants to lead the charge. That's why Meta is committed to spending billions on one of the biggest pivots in corporate history.

Rather than Zoom calls for work, teams can gather in virtual meetings. Instead of traveling, you can visit other countries in the metaverse.

In Seoul, South Korea, the government is creating "Metaverse Seoul," a virtual re-creation of the city that includes economic, cultural, tourism, educational and civic service.

And it seemed like Meta Platforms was going all in on the platform of tomorrow — or the *metaverse*.

They even went so far as to change the name of the company to Meta.

Now, before you think this is just some type of corporate midlife crisis, let me explain Meta Platforms' vision.

Its goal is to onboard over 1 billion people to the metaverse by the end of the decade. With Facebook's nearly 3 billion monthly active users, this is a definite possibility.

The company started in a college dorm room and now reaches almost half the world's population. It's uniquely positioned to bring the physical world into the digital world.

And the company is willing to spend whatever it takes to develop the internet's next iteration.

This is an ambitious goal, and Wall Street didn't like it. Last year was a rough year for Meta. The stock sold off 77% from its highs.

It was a brutal year for tech stocks and investors were especially concerned about Zuckerberg's ambitious plan to spend tens of billions of dollars this decade building out the metaverse, with no profits in sight.

Zuckerberg is making one of the biggest bets in corporate history. The initial spend on the division creating the metaverse, dubbed Facebook Reality Labs, erased $10 billion from last year's profits. The division develops augmented reality and VR hardware, software and content.

On a recent earnings call, the company said that losses from Reality Labs will continue in 2023 because it is a "long-duration investment." But Reality Labs would be subject to the same push for efficiency as other parts of the company, Zuckerberg said. The company is cutting at least $1 billion out of its planned capital expenses for the year, too, saying $30 to $33 billion would be spent — down from a prior range of $34 to $37 billion.

But that's just part of the pivot.

Zuckerberg believes that the metaverse and AI are closely related. It could fundamentally change the way we make and consume content on the world's largest social media apps, perhaps the creation of what some futurists are now calling a "semiautomated social network."

You see, Meta has been at the forefront of AI research. Even though we can't see it, Meta has used AI to recommend posts in our feeds, moderate content and target ads behind the scenes on Instagram and Facebook.

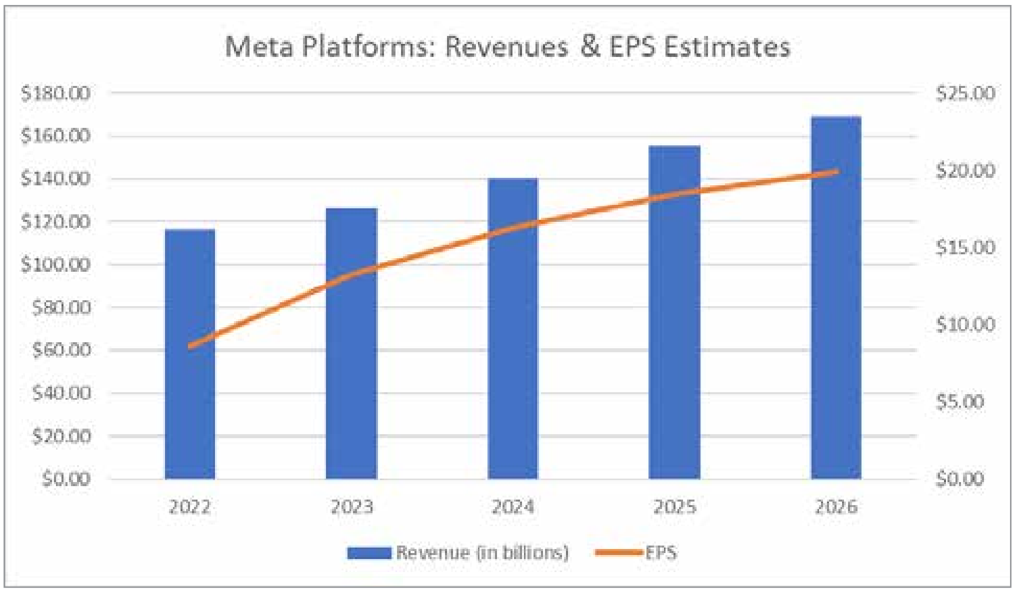
And earlier this year, Meta released its own research-focused, large language model. This is the same technology that underpins OpenAI's ChatGPT. The company is busy incorporating this AI into its consumer-facing products.

And Zuckerberg has stated that AI won't just be a facet of its work going forward, it will be a focus. It has already revealed new tools for advertisers to enhance business performance and streamline the ad process.

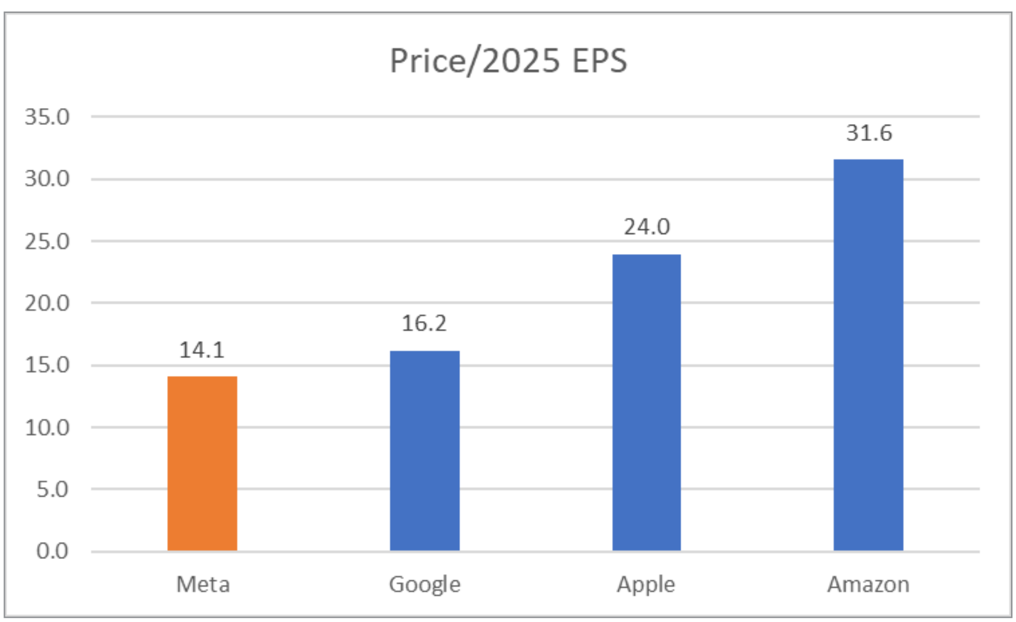
Moreover, its current valuation makes it an ideal time to pick up shares.

Meta revenue is expected to grow 45% over the next four years, from $116 billion in 2022 to $169 billion in 2026.

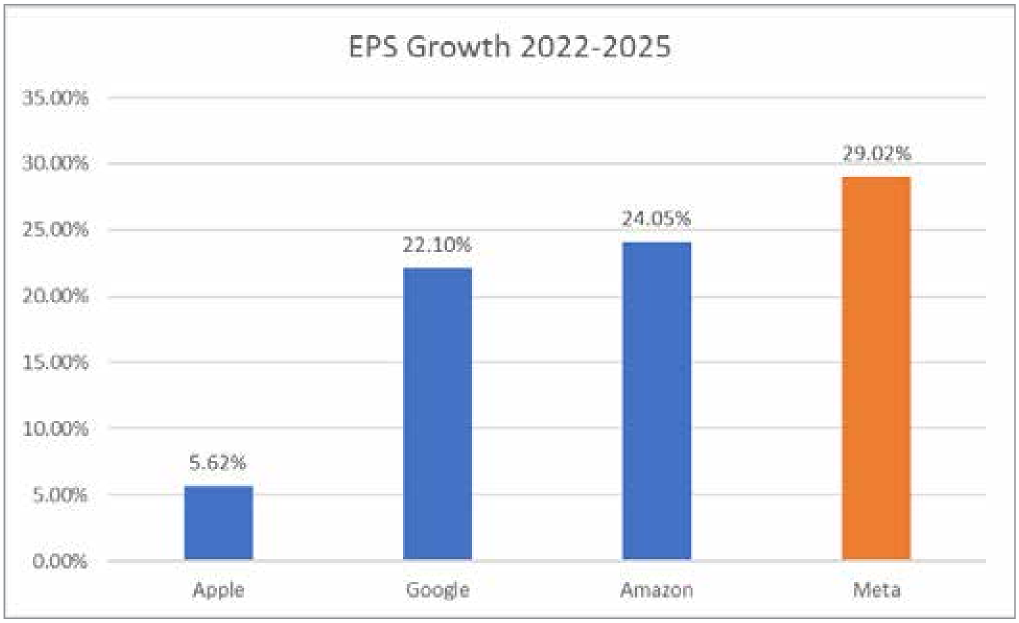
During that time, earnings per share (EPS) is expected to more than double from $8.59 to $19.92.



Shares are priced at 14.1 times 2025 EPS. This multiple makes Meta Platforms the cheapest of the four tech oligarchs (Meta, Google, Apple and Amazon).



At the same time, the company is expected to grow earnings by 29.02% every year until 2025.



The company believes in its future growth and is putting its money where its mouth is. On its fourth-quarter 2022 earnings call, it authorized an additional $40 billion in stock repurchases.

Meta Platforms is expected to earn $19.92 a share in 2025. If we apply its current multiple of 21.93 times earnings to the $19.92 expected earnings, that gives us a share price of $436.

However, I think that multiple could increase by 50%, especially if it looks like Meta will become the operating system of the metaverse. In that case, earnings could increase as well.

Just using the same 2025 earnings of $19.92 a share and applying a 30X multiple gives us a price target of $597 a share.

That's double where the stock is trading now.

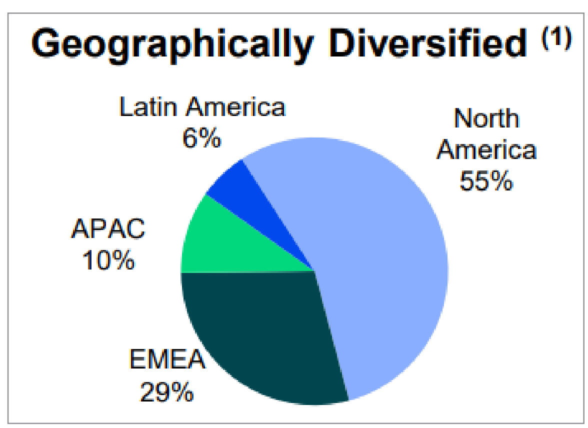
So cruise on over to the nearest virtual stock exchange and grab shares of Meta!

Action to Take: Buy Meta Platforms (Nasdaq: META).

Secure Our Digital Future With This Income Generator

Our second counteroffensive play is with **Digital Realty Trust (NYSE: DLR).**

It's a real estate investment trust (REIT) that owns, acquires and manages data centers that house thousands of servers and allow vast amounts of data processing.



The company is focused on protecting your data.

Digital Realty has a portfolio of over 300 data centers that serve over 4,000 customers across the globe. Its data centers are primarily located in North America which accounts for 55% and Europe which accounts for about 25%.

Digital Realty's customers are some of the biggest companies in the world.

We're talking IBM, Meta, Comcast and JPMorgan Chase.

The top 20 of its customers are responsible for nearly half of its annual recurring revenue.

Customer Rank	Locations	% of ARR (1)	Customer Rank	Locations	% of ARR (1)
1. Fortune 50 Software Company	65	10.2%	11. Fortune 500 SaaS Provider	15	1.7%
2. IBM	38	3.6%	12. Cyxtera	15	1.7%
3. Social Content Platform	19	3.6%	13. Social Media Platform	8	1.7%
4. ORACLE	36	3.6%	14. rackspace	24	1.5%
5. Global Cloud Provider	54	3.4%	15. LUMEN	130	1.4%
6. Fortune 25 Investment Grade-Rated Company	29	3.0%	16. JPMorgan Chase & Co.	17	1.2%
7. EQUINIX	19	2.4%	17. verizon	101	1.1%
8. LinkedIn	9	2.3%	18. COMCAST	39	1.1%
9. Meta	44	1.9%	19. AT&T	76	1.1%
10. Fortune 25 Tech Company	49	1.8%	20. zayo	125	1.0%
TOTAL ANNUALIZED RECURRING REVENUE					49.3%

Since all of its top 20 customers and half of its total customer base are made up of investment-grade companies, there is no danger that these companies will suddenly go bankrupt or fail to pay their data center lease.

This means that Digital Realty has a predictable and stable cash flow coming in each year.

Vital for Our Digital Future

The major catalyst for Digital Realty is an increasingly digital future.

As companies expand their tech tools and online presence, they will require additional digital infrastructure.

Digital trends rapidly accelerated during the COVID-19 pandemic.

According to company data and McKinsey Research, before the pandemic, only about 36% of customer interactions with companies were digital.

However, after the pandemic, that figure jumped to 58%. This jump happened over the course of *just one year*… Before the pandemic, this growth was expected to take three years.

Similarly, the average share of products and services that are offered to customers that are digitized stood at 35%. After the pandemic, it was 55%. In this case, the growth that was expected to take seven years was achieved in just one year.

These seismic shifts have gotten companies to embrace a digital future and invest in it.

McKinsey estimates that this will result in demand for data centers in the U.S. growing by 10% per year until 2030.

And globally, the data center market is expected to grow by 25% per year until 2030 according to Grand View Research.

Companies are already starting to chart a path toward this digital future.

Just take the rise of artificial intelligence and companies racing to incorporate it into their businesses.

Google Search and Microsoft's Bing are currently being equipped with AI to boost the functionality of search engines. Amazon and Meta are working on AI tools to generate videos and images for advertising.

And those are just the big tech companies. There are many others. And an AI future is highly reliant on data centers.

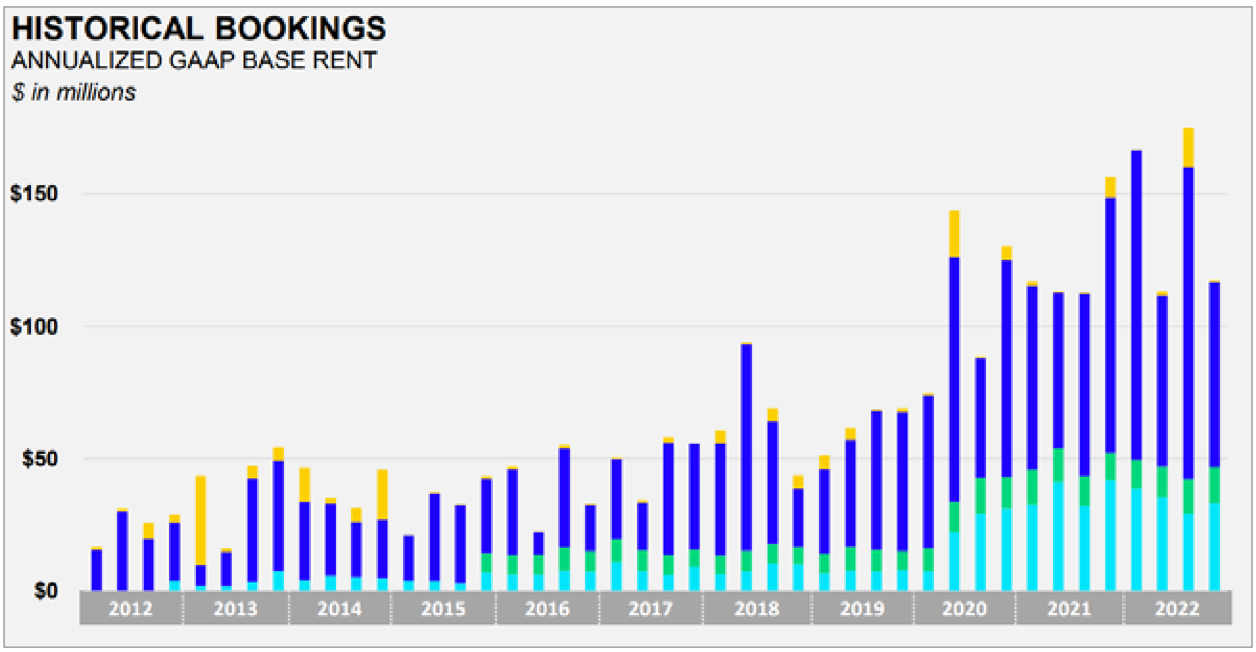
The type of AI that is popular now — generative AI — requires data centers with a massive array of graphics processing units in order to train and operate such complex models.

And that's great for Digital Realty…

Ready to Meet Rising Demand

Digital Realty is well equipped to handle the growing demand given its strong track record.

The company has seen steadily rising bookings that have resulted in record performance in 2022.



In 2022, the company signed a record level of new leases worth over $500 million and renewed another $700 million worth.

It also reached record levels of tenant retention in 2022 with the 12-month tenant retention at 90% compared to its average of 76%.

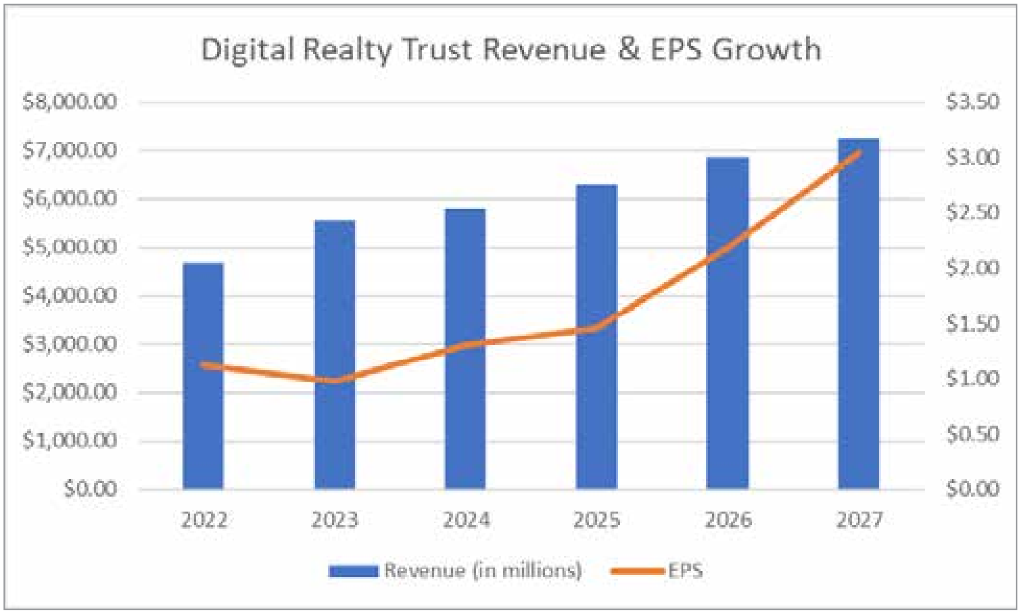
But beyond its metrics, Digital Realty operates in a relatively stable business. Once a company has chosen to lease data center capacity from an entity like Digital Realty, they tend to stick with them long term.

That's because migrating your data to another data center provider is very expensive and comes with a risk of losing your data.

And that's why there is a low turnover in Digital Realty's tenants, especially among the large companies that cannot afford to disrupt services to its customers with data migration.

Invest in Keeping Our Data Safe From China

Digital Realty's revenues are set to grow at a modest 9.2% over the next five years but its earnings per share are set to grow at 23% on average.



However, it should not be judged on this metric alone since it is a REIT. As a REIT, it must distribute at least 90% of its taxable income to shareholders as dividends.

By that metric, Digital Realty comes out ahead. It currently has a dividend yield of 4.98% which exceeds its peer group's median yield of 4.13%.

And when looking at similar data center plays, it still provides a better yield than competitors like Iron Mountain with a 4.44% dividend yield and Equinix with 1.72%.

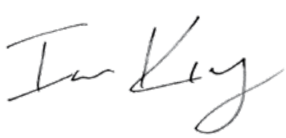
Over the last five years, its dividend has grown at an average rate of 5.13%.

If this trend continues in the future, the dividend paid could increase from $4.88 per share in 2022 to $6.27 per share by 2027.

Action to Take: Buy Digital Realty Trust (NYSE: DLR).

If you have any questions about these trades, you can email us at **StrategicFortunes@BanyanHill.com**.

Regards,



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