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Friends and Fellow Investors:

For April 2018 the fund was down approximately 3.8% net of all fees and expenses. By way of comparison, the S&P 500 was up approximately 0.4% while the Russell 2000 was up approximately 0.9%. Year-to-date the fund is down approximately 2.4% while the S&P 500 is down approximately 0.4% and the Russell 2000 is up approximately 0.8%. Since inception on June 1, 2011 the fund is up approximately 95.1% net while the S&P 500 is up approximately 127.8% and the Russell 2000 is up approximately 100.1%. Since inception the fund has compounded at approximately 10.1% net annually vs 12.6% for the S&P 500 and 10.6% for the Russell 2000. (The S&P and Russell performances are based on their “Total Returns” indices which include reinvested dividends.) As always, investors will receive the fund’s exact performance figures from its outside administrator within a week or two; meanwhile I continue to waive the annual management fee until the entire fund regains its high-water mark.

As noted in recent letters, through this entire bull market low interest rates were used to justify egregious earnings multiples on stocks, as well as being responsible for *creating* much of those earnings via cheap mortgages, auto loans, debt-financed stock buybacks, etc., and yet now those rates are at much higher levels across the board. Even before the arrival of (or perhaps anticipating) a massive amount of deficit-related U.S. debt issuance beginning later this year, the 10-year U.S. treasury yield has definitively broken its very long-term downtrend and now sits at over 2.9% (after briefly breaking above 3% earlier this month), while the 2-year yield of around 2.5% handily bests the S&P 500’s 1.9%, thereby presenting an attractive alternative to an index priced at 24x trailing GAAP earnings when a flattening 2-10 curve and recent run of [somewhat disappointing global PMI data](#) may be indicative of a looming economic slowdown. Meanwhile, [inflation appears to be back for real](#) and we could thus be heading for a 1970s-style era of *stagflation*, so I think numerous catalysts are here for the high-multiple stock party to end, and we’re positioned for it.

**We remain short shares of Tesla, Inc. (TSLA)**, which I consider to be the biggest single stock bubble in this whole bubble market—a company so landmine-filled that I think it can implode at any moment *regardless* of what the broad market does. To reiterate the three core points of our Tesla short position:

- 1) Tesla has no “moat” of any kind; i.e., nothing meaningfully or sustainably proprietary.
- 2) Tesla loses a huge (and increasing) amount of money despite relatively light competition but will soon be confronted with massive competition in every aspect of its business.
- 3) Elon Musk is extremely untrustworthy.

The month of April got off to a terrific start for Tesla, beginning with a “hilarious” (if you’re short) April Fool’s “joke”...

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...and continuing the very next day with even *more* hilarity when (in addition to his multiple jobs at multiple other companies) Musk [appointed himself Model 3 production head...](#)



And remember that when Tesla's worldwide head of sales & service quit a few months ago, Musk [appointed himself to that job too!](#) Next I expect him to impress Gisele by joining the New England Patriots and [replacing both Brady and Gronkowski!](#)



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Next in April the *Wall Street Journal* ran [a story](#) with a great chart showing what has happened recently to the price of cobalt (approximately 50 pounds of which is in a Tesla battery)...



...thereby helping to ensure that Model 3 gross margin will remain negative while Model S/X gross margin—if [Tesla accounted for it properly](#)—would remain in the low single digits.

Next in April Tesla released *disastrous* Q1 automobile sales & delivery results, with Model S&X combined deliveries down a double-digit percentage both sequentially and year-over-year, and Model 3 production falling far short of (already drastically reduced) previous guidance. And keep in mind that this decline in S&X sales is occurring even *before* Tesla’s first real luxury EV competition rolls into showrooms this summer in the form of [the Jaguar I-Pace](#), followed this winter by the [Audi E-Tron Quattro](#) and then next year by the [Mercedes EQC](#) and [Porsche Mission E](#). And *all* those cars (except perhaps the Porsche) will be priced significantly less expensively than the comparable Tesla even *before* their U.S. buyers enjoy a \$7500 tax credit that expires for Tesla later this year. For a great summary of just how bad Q1 deliveries were for Tesla, read [this terrific article](#) from *Seeking Alpha*.

Next in April, the NTSB [booted](#) Tesla off the panel investigating last month’s [horrific fatal Autopilot crash](#) (*at least the third fatal Autopilot crash to have occurred*), while Tesla hilariously tried to get ahead of the story by [lying and saying it voluntarily quit](#). Upon receiving notice of its dismissal by the NTSB, Tesla then released a statement consisting of the following pure comedy gold:

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It's been clear in our conversations with the NTSB that they're more concerned with press headlines than actually promoting safety. Among other things, they repeatedly released partial bits of incomplete information to the media in violation of their own rules, at the same time that they were trying to prevent us from telling all the facts. We don't believe this is right and we will be making an official complaint to Congress. We will also be issuing a Freedom Of Information Act request to understand the reasoning behind their focus on the safest cars in America while they ignore the cars that are the least safe. Perhaps there is a sound rationale for this, but we cannot imagine what that could possibly be.

**Meanwhile, as the number of Autopilot-related crashes accumulates, it seems increasingly clear that this reckless system should be banned from public roads and deactivated, with appropriate refunds given to any purchaser who wants one.**

Next in April, Musk [admitted](#) that Tesla's "automate everything" approach to manufacturing ("the machine that builds the machine") was wrong, and that the company will now scrap tens (or perhaps *hundreds* or *billions*) of dollars in robots and other mechanical devices previously used to justify claims of "a manufacturing edge" over the rest of the industry. Why? Because as someone with a lifetime of auto factory expertise [wrote in Forbes](#): "*Tesla is the worst car manufacturer in the developed world. Bar none.*" Translation: yet another leg of the Tesla hype story has been chopped off and tossed into the fireplace. What's particularly hilarious about this is that Tesla's "solution" to the problem is to hire still *more* people, yet prior to this announcement Bloomberg published [a great piece](#) pointing out how incredibly inefficient Tesla's factory is using the massive number of people it already has!

Next in April [it was learned](#) that due to its own inadequate testing (i.e., Musk rushing to pump the stock price), Tesla is stuck with a massive number of flawed Model 3 parts requiring re-machining. That same day, [a bombshell securities fraud lawsuit](#) appeared containing extensive documentation from former Tesla employees about how Elon Musk continually lied to shareholders about the progress of Model 3 production. And then just a day later, a story broke that [Tesla under-counted worker injuries to make its safety record appear better](#). And keep in mind that in March the company's Chief Accounting Officer and Treasurer/V.P. of Finance both quit on no notice. Now why would *that* happen? ***Could Tesla be the world's largest fraudulent penny-stock?***

Next in April, word [leaked](#) of a surprise multi-day shutdown of the FUBAR (if you don't know that acronym, look it up!) Model 3 assembly line, [along with a major OSHA safety inspection](#). Coincidence? I think not!

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Nevertheless, Tesla quickly claimed this shutdown was “planned” despite a long factory tour it gave to the CBS Morning Show just three days earlier in which it was never mentioned and the release of an [8-K](#) just 13 days earlier which claimed everything at the factory was going great and production would “climb rapidly through Q2.” In other words, *nothing* Tesla says can be accepted at face value.

Following word of the factory shutdown, [one of the most insane CEO memos in modern history](#) (written by Subsidy Fraud-Boy—sorry, I mean “Elon Musk”—himself) was “leaked” (deliberately, no doubt, in yet another desperate attempt to pump TSLA stock). It threatens Tesla’s suppliers (perhaps creating an excuse for the cash-strapped company to not pay them), urges employees to walk out of meetings or hang up on calls (even ones arranged by their bosses!) if they don’t feel they’re productive, and vows to start running the Model 3 assembly line 24/7. (And [here’s a great summary](#) of the negative implications of THAT.)

Speaking of the Model 3, keep in mind that Bernstein Research [estimates](#) that fewer than 30% of current Tesla owners decided to exercise their Model 3 reservations, and based on anecdotal evidence from on-line Tesla forums it appears that the reservation uptake among non-Tesla owners may be as low as 15%. (And watch those reservations *really* vanish when Tesla’s \$7500 tax credits expire later this year while [over 100 competing new EV models entering the market over the next few years](#) will still enjoy them.) In February Tesla quietly announced that the “\$35,000 Model 3” (which I’ve been saying [since 2014](#) would never be offered in quantity because Tesla would lose at least \$10,000 on each one) will be delayed for at least a year, and I believe even then it will only be produced in token amounts (if at all), yet meaningful demand for this car clearly exists only at that lower price point. **Meanwhile, extensive forum posts indicate that despite initially favorable reviews based on the short-term driving experience, over time the Model 3 is revealing itself to be a complete and total lemon.** And finally regarding the Model 3, here’s my monthly reminder that almost nothing can be done in the car without a multi-step process on the touchscreen—[not even changing the windshield-wiper speed, adjusting the air vents or opening the glovebox](#). **Thus, operating a Tesla Model 3 may potentially be as dangerous as texting while driving.**

Next in April, Tesla [lost yet another head of autopilot](#), a renowned guy in tech circles who was supposedly [designing some kind of brilliant, proprietary chip](#). And recall that the Autopilot head before him quit reportedly [because Musk was a dick](#) (okay, I’m *paraphrasing*) and the one before *him* quit [reportedly](#) because Musk was lying to the public about Autopilot’s safety. In fact, Jim Chanos [recently said on CNBC](#) that the only two companies in which he’s seen Tesla’s level of executive departures were Valiant and Enron-- now *there’s* some exclusive company! Here (courtesy of Chanos) are the departures just since May 2016:

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TSLA Executive Departures

Departure Date	Start Date	Term (in years)	Name	Position	Notes
May-16	Apr-11	5.1	Greg Reichow	VP of Vehicle Production	No filing, no departure date, "Leave of Absence", will hand off responsibilities to ensure uninterrupted production
May-16	Sep-13	2.7	Chris Van Wert	Director of Product Excellence	No filing
Jul-16	Nov-13	2.7	Rich Heley	VP of Products	No filing
Aug-16	Oct-14	1.8	Bill Chen	Senior Engineering Manager Maps and Navigation	No filing
Aug-16	May-15	1.3	Gregory Ryslik	Head of Data Science, Service	No filing
Sep-16	Jan-15	1.7	Khobi Brooklyn	Head of Global Communications	No filing - Also worked for Tesla from Nov-09 to Apr-12
Dec-16	Aug-09	7.3	Mateo Jaramillo	VP of Products & Programs (Tesla Energy)	No filing
Dec-16	Dec-14	2.0	Sterling Anderson	Director of Autopilot Programs	No filing
Dec-16	Oct-14	2.2	Alexandre Haag	Senior Manager, Autopilot	No filing, went to Munich-based autonomous startup
Jan-17	Apr-16	0.8	Ardes Johnson	Sales Director of Tesla Energy	No filing
Jan-17	Oct-10	6.3	Georgios Sarakakis	Senior Manager, Reliability Engineering	No filing
Feb-17	Oct-14	2.3	Mark Lipscomb	VP of HR	No filing, but company responded to the Bloomberg story (he went to Netflix's HR)
Feb-17	Jun-10	6.7	Satish Jayachandran	Director of hardware engineering	No filing, but company responded to the Bloomberg story; joined Waymo in June 2017
Apr-17	Nov-15	1.3	Jason Wheeler	CFO	No filing, but says he's going to go into public policy; being replaced by Deepak Ahuja, who was the prior CFO and left in June 2015
Apr-17	Apr-15	2.0	David Nister	Head of Autopilot	No filing, went to NVIDIA
Apr-17	Aug-15	1.7	Jennifer Kim	Director of HR, Engineering	No filing
May-17	Nov-09	7.5	Arnon Geshuri	Head of HR	Confirmed in blog post
May-17	Dec-13	3.4	Jack West	Co-founder/CTO of Zep Solar (acquired by SCTY)	No filing
Jun-17	Jul-06	10.9	Lyndon Rive	CEO/founder of SCTY/Tesla Energy Head of Sales & Service	No filing, but company confirmed - he is joining a new startup and "spending more time with his family"
Jun-17	Jan-16	1.4	Rene LeBlanc	Staff Process Development Engineer	No filing, tweeted by his new employer Lithium Americas, described as "world's #1 expert in lithium hydroxide use in the battery sector"
Jun-17	Jun-16	1.0	Chester Chipperfield	Global Creative Director	No filing; establishing startup with Flickr and Jaiku founders
Jun-17	Jan-17	0.4	Chris Lattner	Head of Autopilot software team	TSLA indicated that they fired him - he had come from Apple to replace David Nister; TSLA immediately replaces him with Andrej Karpathy (landed at Google in Aug 2017)
Jul-17	Jul-06	11.0	Peter Rive	Co-founder/CTO of SCTY	Confirmed in email statement
Aug-17	Mar-06	11.4	Kurt Kelty	Senior Director of Battery Technology	No filing
Sep-17	Jul-06	11.2	Diarmuid O'Connell	Head of Business Development	Confirmed in email statement; "spending more time with his family"
Sep-17	Sep-16	1	Andrea James	IR Associate/Consultant	Confirmed in StreetInsider article
Oct-17	Jan-13	4.8	Jon Wagner	Director of Battery Engineering	Confirmed in Jalopnik article
Oct-17	Sep-13	4.1	William J. Donnelly	President of Tesla Finance, LLC	Confirmed on LinkedIn
Nov-17	Jan-11	6.8	Jeff Evanson	Head of IR	Disclosed by Aaron Chew of IR at Berenberg NDR
Dec-17	Sep-06	11.3	Ernest Villanueva	Senior Manager of Battery Module Design	Confirmed in CNBC article
Jan-18	Jan-12	6.0	Celina Mikolajczak	Senior Manager, Battery Tech, Cell Quality, and Materials Analysis	Confirmed on LinkedIn
Jan-18	Jan-11	7.0	Will McColl	Senior Manager, Equipment Engineering	Confirmed on LinkedIn
Jan-18	May-05	12.7	Jason Mendez	Senior Director, Manufacturing Engineering	Confirmed on LinkedIn
Feb-18	Nov-15	2.3	Jon McNeill	President, Global Sales & Service	Confirmed in an 8K filing
Mar-18	Oct-16	1.4	Eric Branderiz	Chief Accounting Officer & Corporate Controller	Confirmed in an 8K filing
Mar-18	Mar-13	5.0	Susan Repo	Treasurer and VP of Finance	Confirmed in Bloomberg article
Apr-18	Jan-13	5.2	Matthew Renna	Model S and X Program Manager	Confirmed in VW Press Release
Apr-18	Jan-16	2.2	Jim Keller	VP of Autopilot	Confirmed in Electrek article

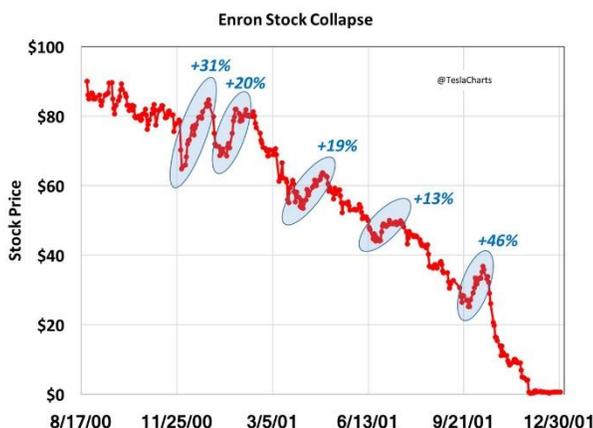
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Tesla's Q4 "earnings" report showed (using the total net loss ex ZEV credits) that it lost over \$28,000 on each car it sold, and I expect the Q1 2018 numbers (to be released in early May) will be worse. At some point Tesla's \$31.4 billion in combined long-term debt and battery purchase obligations—accompanied by its negative cash flow and massive encroaching competition—will drive it into bankruptcy. ***In fact, Tesla's interest expense is now at a run-rate of nearly \$600 million a year, which in Q4 amounted to \$4884 per car sold—fully one-third of Tesla's gross profit went towards servicing its debt!***

Finally in April, Bloomberg—normally one of the most Musk-loving outlets in financial journalism (perhaps because owner Mike Bloomberg is a keen user of his private air fleet to "fight global warming")—published a terrific "Cliff's Notes" version of what a financial disaster Tesla is; the story, "[Tesla Doesn't Burn Fuel, It Burns Cash](#)" is well worth reading.

Meanwhile, Tesla is increasingly besieged by a wide variety of lawsuits, for labor discrimination, worker safety, union-busting, autopilot fraud, sudden acceleration, lemon law violations, investor fraud and, undoubtedly, many others of which I'm not yet aware.

And yet with all that, I don't expect Tesla's path to \$0.00 will be straight down; as Twitter user @TeslaCharts points out, it never is:



**So here is Tesla's competition in cars (note: these links are continually updated)...**

- [Jaguar Electric I-Pace SUV Available Summer 2018](#)
- [2019 Jaguar XJ to be reborn as high-tech electric flagship](#)
- [2019 Audi E-Tron To Charge Faster Than Tesla Supercharger Network](#)
- [Audi e-tron Sportback in 2019 to be its second EV](#)
- [New 2019 Porsche Mission E: all-electric saloon shaping up](#)
- [Porsche Mission E Cross Turismo to be its second EV](#)
- [MERCEDES RELEASES IMAGE OF 2019 EQC FULLY ELECTRIC CROSSOVER](#)
- [Mercedes Plans Electric S-Class to Challenge Tesla's Flagship](#)
- [Mercedes Wheels Out Electric Car Roadmap, Car And Battery Factories Everywhere](#)
- [2019 Hyundai Kona Electric gets 250-mile range rating in the U.S.](#)

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[14 new EV models by Hyundai-Kia by 2025](#)  
[Chevrolet Bolt Offers 238 Miles On A Single Charge For \\$37,495](#)  
[GM to introduce 3 more electric cars before 2020, battery cells at <\\$100/kWh](#)  
[2018 Nissan Leaf: 150 miles for \\$30,875, 200+ mile model by late 2018](#)  
[Nissan Leaf-based SUV coming in 2020](#)  
[Volvo Electric hatchback due in 2019](#)  
[Volvo To Start Selling Electric Trucks In 2019, Some Will Hit The Road This Year](#)  
[VW will build EVs in 16 factories in zero emissions push](#)  
[Volkswagen I.D. Crozz 311-Mile Electric CUV For \\$30,000-ish Before Incentives](#)  
[VW's All-Electric I.D. Vizzion Coming With 400 Miles of Range](#)  
[BMW will export iX3 electric SUV to Europe, U.S. from China](#)  
[BMW Confirms The i4 EV](#)  
[BMW to have 25 electrified models by 2025](#)  
[Ford plans \\$11 billion investment, 40 electric vehicles by 2022](#)  
[Land Rover Defender to go all-electric in 2019](#)  
[Toyota, Mazda, Denso create company to roll out electric cars beginning 2019](#)  
[Toyota to market over 10 battery EV models in early 2020s](#)  
[Infiniti will go mostly electric by 2021](#)  
[PSA will launch full-electric Peugeot 208 and DS 3 Crossback in 2019](#)  
[ALL-ELECTRIC MINI COOPER COMING IN 2019](#)  
[Smart Will Electrify Its Entire Line-up By 2020](#)  
[SEAT's first electric car is due in 2020](#)  
[Opel will launch full electric Corsa in 2020](#)  
[2019 Skoda e-Citigo confirmed as brand's first all-electric model](#)  
[MG E-Motion confirms new EV sports car on the way by 2020](#)  
[Aston Martin to create all-electric car brand](#)  
[Renault to have 8 pure electric models by 2022](#)  
[Rolls-Royce is preparing electric Phantom for 2022](#)  
[Citroen preparing EV push with 80 per cent electrified range by 2023](#)  
[Honda will offer full-EV or hybrid tech on every European model by 2025](#)  
[All-electric Bentley four-door coupe to use EV tech from Porsche Mission E](#)  
[Subaru to introduce all-electric vehicles by 2021](#)  
[Ssangyong e-SIV concept previews 2020 EV](#)  
[Dyson plans three-car EV range](#)  
[235mph Lucid Air due in 2019 as electric BMW 7 Series rival](#)  
[Borgward BXi7 Electric SUV Flies Under The Radar](#)  
[Detroit Electric promises 3 cars in 3 years](#)  
[SF Motors reveals two electric SUVs for 2019 with 300 miles of range](#)  
[Two new electric cars from Mahindra in India by 2019; Global Tesla rival e-car soon](#)  
[Saab asset owner NEVS plans electric car production](#)  
[Evelocity Raises \\$1 billion For EV Startup](#)  
[Flush with new cash, electric-car company Faraday Future hopes for a fresh start](#)

**And in China...**

[Daimler & BYD launch new DENZA electric vehicle for the Chinese market](#)

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[BAIC and Daimler to Build \\$1.9 Billion China Plant](#)  
[Volkswagen Plans \\$12 Billion Electric-Car Blitz in China](#)  
[Audi to launch 7 new energy vehicle models in China by 2020](#)  
[GM plans to launch 10 new energy models in China by 2020](#)  
[Nissan & Dongfeng to invest \\$9.5 billion in China to boost electric vehicles](#)  
[Toyota to Introduce 10 New Electrified Vehicles in China by 2020](#)  
[Infiniti bringing EVs to China's luxury car market](#)  
[BMW will develop and produce electric Mini in China](#)  
[Ford ramps up electric vehicle push in China](#)  
[China's BYD tops global electric-car production for third year in a row](#)  
[SAIC to spend \\$2.2 billion on EVs, connectivity, aftersales services](#)  
[Honda to launch three electric vehicles in China in 2018](#)  
[Mazda and Changan Auto join hands on electric vehicles](#)  
[WM Motors/Weltmeister EX5 Electric SUV Launched On The Chinese Car Market](#)  
[NIOS ES8 Electric Crossover debuts with half the Tesla Model X's price tag](#)  
[Geely invests \\$5 billion into new electric car factory in China](#)  
[Changan Spending \\$15 billion To Have 21 Pure Electric Cars By 2025](#)  
[Chery Breaks Ground on \\$240M EV Factory in China](#)  
[Chery's second EV plant open in Dezhou](#)  
[Leapmotor's electric car to hit the market in 2018](#)  
[Alibaba-backed Xiaopeng Motors to raise US\\$2.7 billion this year](#)  
[GAC Trumpchi to launch range-extended EVs](#)  
[Chinese-backed electric car start-up Byton woos CES with model 40% cheaper than a Tesla](#)  
[Great Wall Starts New EV Brand \(ORA\) In China](#)  
[The Singulato iS6 From China Is Aimed At The Tesla Model 3](#)  
[Singulato, BAIC partner to promote smart new energy vehicles](#)  
[FAW \(Hongqi\) to roll out 15 electric models by 2025](#)  
[JAC's Electric Car Has A Range Of 500 Kilometers](#)  
[ICONIQ to build electric cars in Zhaoqing with total investment of RMB 16 billion](#)  
[Quianu Motor aims to grab share of US electric vehicle market](#)  
[All-electric NEVS 9-3 sedans \(nee Saab\) being built in China](#)  
[Youxia Motors Secures USD794 Million to Push Release of New Connected Cars](#)  
[Wanxiang Gets China Electric Vehicle Permit to Make Karma Cars](#)  
[Qoros Auto's new owner plans to be an EV power](#)  
[JMC \(Jianling Motor Corp.\) Starts New EV Brand In China](#)  
[Thunder Power electric cars at the Frankfurt motor show](#)

#### **Here's Tesla's competition in autonomous driving...**

[Tesla Ranks Last for Automated Driving](#)  
[A Tesla self-driving blind spot that few are focusing on](#)  
[Waymo is first to put fully self-driving cars on US roads without a safety driver](#)  
[Jaguar and Waymo announce an electric, fully autonomous car](#)  
[Cadillac Super Cruise™ Sets the Standard for Hands-Free Highway Driving](#)  
[GM ride-hailing fleet would ditch steering wheel, pedals in 2019](#)  
[An Overview of Audi Piloted Driving](#)

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[Updated 2017 Mercedes-Benz S-Class - first ride with autonomous technology](#)  
[NVIDIA and Toyota Collaborate to Accelerate Market Introduction of Autonomous Cars](#)  
[Volkswagen and NVIDIA to Infuse AI into Future Vehicle Lineup](#)  
[NVIDIA Partners with Bosch for System Based on Next-Generation DRIVE PX Xavier Platform](#)  
[Continental & NVIDIA Partner to Enable Production of Artificial Intelligence Self-Driving Cars](#)  
[Bosch and Daimler join forces to market fully automated, driverless taxis by 2020](#)  
[Intel's Mobileye will have 2 million cars \(VW, BMW & Nissan\) on roads building HD maps in 2018](#)  
[Volkswagen Group and Aurora Innovation Announce Strategic Collaboration On Self-Driving Cars](#)  
[Toyota, Intel and others form big data group for autonomous tech](#)  
[Toyota Adds \\$2.8 Billion to Software Push for Self-Driving Cars](#)  
[Nissan's Robo-Taxis Will Hit the Road in March](#)  
[Nissan and Mobileye to generate, share, and utilize vision data for crowdsourced mapping](#)  
[Magna joins the BMW Group, Intel and Mobileye platform as an Integrator for AVs](#)  
[Intel collaborates with Waymo on self-driving compute design](#)  
[Fiat Chrysler to Join BMW, Intel and Mobileye in Developing Autonomous Driving Platform](#)  
[Ford expands fleet of self-driving test cars](#)  
[Ford Buys Laser System Firm as It Boosts Driverless Car Development](#)  
[Lyft, Aptiv \(formerly Delphi\) partner on driverless ride-hailing at 2018 CES in Vegas](#)  
[Lyft and Waymo Reach Deal to Collaborate on Self-Driving Cars](#)  
[Lyft, Magna in Deal to Develop Hardware, Software for Self-Driving Cars](#)  
[Hyundai, Aurora to release autonomous cars by 2021](#)  
[Deutsche Post to Deploy Test Fleet Of Fully Autonomous Delivery Trucks This Year](#)  
[Byton cooperating with Aurora on autonomous vehicles](#)  
[Magna's new MAX4 self-driving platform offers autonomy up to Level 4](#)  
[Bosch Creates a Map That Uses Radar Signals for Automated Driving](#)  
[Honda Targeting Level 3 Automated Driving By 2020, Level 4 by 2025](#)  
[Groupe PSA's safe and intuitive autonomous car tested by the general public](#)  
[Baidu unveils autonomous driving platform backed by 90 global partners](#)  
[Baidu plans to mass produce Level 4 self-driving cars with BAIC by 2021](#)  
[BlackBerry and Baidu Partnering to Accelerate Connected and Autonomous Vehicle Technology](#)  
[Tencent, Changan Auto Announce Autonomous-Vehicle Joint Venture](#)  
[JD.com Delivers on Self-Driving Electric Trucks](#)  
[NAVYA Unveils First Fully Autonomous Taxi](#)  
[Fujitsu and HERE to partner on advanced mobility services and autonomous driving](#)  
[Lucid Chooses Mobileye as Partner for Autonomous Vehicle Technology](#)  
[First Look Inside Zoox's Autonomous Taxi](#)  
[Apple Is Focusing on Making an Autonomous Car System](#)  
[Samsung, Harman gear up for self-driving automobiles](#)  
[Mitsubishi Electric Develops Automated Mapping For Autonomous Driving](#)  
[Hitachi demonstrates vehicle with 11-function autonomous driving ECU](#)  
[DENSO and NEC Collaborate on Automated Driving and Manufacturing](#)  
[Nuro's Robot Delivery Vans Are Arriving Before Self-Driving Cars](#)

**Here's Tesla's competition in car batteries...**

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[LG Chem targets electric car battery sales of \\$6.3 billion in 2020](#)  
[Samsung SDI Unveils Innovative Battery Products at 2018 Detroit Motor Show](#)  
[SK Innovation to produce EV batteries with 500 km range in 2018](#)  
[New Toshiba EV Battery Allows 320km Charge in 6 Minutes](#)  
[Daimler opens its sixth battery factory](#)  
[General Motors China To Open Battery Factory In Shanghai](#)  
[Panasonic Opens New Automotive Lithium-Ion Battery Factory in Dalian, China](#)  
[Panasonic forms battery partnership with Toyota](#)  
[China to build many gigafactories' worth of electric-car battery plants](#)  
[China's BYD takes aim at Tesla in battery factory race](#)  
[CATL's Chinese battery factory will be bigger than Tesla's Gigafactory](#)  
[CATL Zeroes In On a European Battery Plant](#)  
[Energy Absolute Plots Asian Project Rivaling Musk's Gigafactory](#)  
[European Battery Alliance \(EBA\) is taking shape](#)  
[ABB teams up with Northvolt on Europe's biggest battery plant](#)  
[Chinese Battery Maker to Open Factory Next to Swedish EV Plant](#)  
[Sokon aims to be global provider of battery, electric motor, electric control systems](#)  
[BMW Group invests 200 million euros in Battery Cell Competence Centre](#)  
[BMW Brilliance Automotive opens battery factory in Shenyang](#)  
[BMW announces partnership with solid-state battery company](#)  
[Toyota promises auto battery 'game-changer'](#)  
[Hyundai Motor developing solid-state EV batteries](#)  
[Honda considers developing all solid-state EV batteries](#)  
[Continental eyes investment in solid-state batteries](#)  
[Wanxiang is playing to win, even if it takes generations](#)  
[UK provides millions to help build more electric vehicle batteries](#)  
[Rimac is going to mass produce batteries and electric motors for OEMs](#)  
[Elon Musk Has A New Battery Rival \(Romeo Power\) Packed With His Ex-Employees](#)  
[Bracing for EV shift, NGK Spark Plug ignites all solid-state battery quest](#)  
[ProLogium Technology Will Produce First Next Generation Lithium Ceramic Battery For EVs](#)

**Here's Tesla's competition in storage batteries...**

[Panasonic](#)  
[Samsung](#)  
[LG](#)  
[BYD](#)  
[AES + Siemens \(Fluence\)](#)  
[GE](#)  
[Bosch](#)  
[Mitsubishi Hitachi](#)  
[NEC](#)  
[Hitachi Chemical](#)  
[Toshiba](#)  
[ABB](#)

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[Saft](#)  
[Johnson Contols](#)  
[EnerSys](#)  
[SOLARWATT](#)  
[Schneider Electric](#)  
[sonnenBatterie](#)  
[Kokam](#)  
[Sharp](#)  
[Eaton](#)  
[Nissan](#)  
[Tevolt](#)  
[Kreisel](#)  
[Leclanche](#)  
[Lockheed Martin](#)  
[EOS Energy Storage](#)  
[ESS](#)  
[UniEnergy Technologies](#)  
[electrIQ Power](#)  
[Belectric](#)  
[Sunverge](#)  
[Stem](#)  
[ENGIE](#)  
[Exergonix](#)  
[Redflow](#)  
[Renault](#)  
[Fluidic Energy](#)  
[Primus Power](#)  
[Simpliphi Power](#)  
[redT Energy Storage](#)  
[Murata](#)  
[Bluestorage](#)  
[Adara](#)  
[Blue Planet](#)  
[Clean Energy Storage Inc.](#)  
[Swell Energy](#)  
[Tabuchi Electric](#)  
[Yunicos](#)  
[Orison](#)  
[Moixa](#)  
[Powin Energy](#)  
[Nidec](#)  
[Powervault](#)  
[Schmid](#)  
[24M](#)  
[Terra E](#)  
[Eelpower](#)

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**And here's Tesla's competition in charging networks...**

[Electrify America: Our Plan](#)  
[EVgo Installing First 350 kW Ultra Fast Public Charging Station In The US](#)  
[Tritium's First 350-kW DC Fast Chargers Coming To U.S.](#)  
[Porsche plans network of 500 fast chargers for U.S.](#)  
[BMW, Daimler, Ford, VW, Audi & Porsche form IONITY European 350kw Charging Network](#)  
[E.ON to have 10,000 150KW TO 350KW EV charging points across Europe by 2020](#)  
[Enel kicks off the E-VIA FLEX-E project for the installation of European ultra-fast charging stations](#)  
[Europe's Allego "Ultra E" ultra-fast charging network now operational](#)  
[Allego & Fortum Launch MEGA-E High Power Charging network for Europe's Metropolitan areas](#)  
[Chargepoint Europe Gets \\$82 million in new funding from Daimler](#)  
[ChargePoint - InstaVolt partnership; more than 200 UK rapid charge systems](#)  
[UK's Podpoint installing 150kW EV rapid chargers this year; 350kW by 2020](#)  
[UK National Grid plans 350kW EV charge point network](#)  
[ChargePoint Express Plus Debuts: Offers Industry High 400 kW DC Fast Charging](#)  
[Fastned building 150kw-350kw chargers in Europe](#)  
[ABB powers e-mobility with launch of first 150-350 kW high power charger](#)  
[Shell buys European electric vehicle charging pioneer NewMotion](#)  
[BP in talks with electric carmakers on service station chargers](#)  
[Total planning EV charging points at its French stations](#)

**Yet despite all that deep-pocketed competition, perhaps you want to buy shares of Tesla because you believe in its management team. *Really???***

[Elon Musk, June 2009: "Tesla will cross over into profitability next month"](#)  
[Tesla SEC Correspondence Shows A Pattern Of Inaccurate, Incomplete & Misleading Disclosures](#)  
[Tesla: Check Your Full Self-Driving Snake Oil Expiration Date](#)  
[As Musk Hyped and Happy-Talked Investors, Tesla Kept Quiet About a Year-Long SEC Probe](#)  
[The Truth Is Catching Up With Tesla](#)  
[With Misleading Messages And Customer NDAs, Tesla Performs Stealth Recall](#)  
[Who You Gonna Believe? Elon Musk's Words Or Your Own Lying Eyes?](#)  
[How Tesla and Elon Musk Exaggerated Safety Claims About Autopilot and Cars](#)  
[When Is Enough Enough With Elon Musk?](#)  
[Musk Talked Merger With SolarCity CEO Before Tesla Stock Sale](#)  
[Debunking The Tesla Mythology](#)  
[Tesla Continues To Mislead Consumers](#)  
[Tesla Misses The Point With Fortune Autopilot Story](#)  
[Tesla Timeline Shows Musk's Morality Is Highly Convenient](#)  
[Tesla Scares Customers With Worthless NDAs, The Daily Kanban Talks To Lawyers](#)  
[Tesla: Contrary To The Official Story, Elon Musk Is Selling To Keep Cash](#)  
[Tesla: O, What A Tangled Web We Weave When First We Practice To Deceive](#)  
[I Put 20 Refundable Deposits On The Tesla Model 3](#)  
[Tesla's Financial Shenanigans](#)  
[Tesla: A Failure To Communicate](#)

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[Can You Really Trust Tesla?](#)

[Elon Musk Appears To Have Misled Investors On Tesla's Most Recent Conference Call](#)

[Understanding Tesla's Potemkin Swap Station](#)

[Tesla's Amazing Powerwall Reservations](#)

So in summary, Tesla is losing a massive amount of money even *before* it faces a huge onslaught of competition (and things will only get worse once it does), while its market cap tops that of Ford and is nearly as large as GM's despite a \$2.5 billion annualized net loss selling a bit over 100,000 cars while Ford and GM *make* billions of dollars selling 6.6 million and 9 million cars respectively. Thus this cash-burning Musk vanity project is worth *vastly* less than its approximately \$60 billion fully-diluted enterprise value and—thanks to its roughly \$31 billion in debt and purchase obligations—may eventually be worth “zero.”

Elsewhere among our positions...

We continue (since late 2012) to hold a short position in the Japanese yen via the Proshares UltraShort Yen ETF (ticker: YCS) as Japan [continues to print over 9% of its monetary base per year](#) after [more than tripling that base since early 2013](#). One result of this insane policy (in 2018 the BOJ has bought 75% of JGB issuance!) is there was a day in March when [no Japanese government bonds traded!](#) In April BOJ head Kuroda [reiterated](#) his commitment to continue this massive printing, and the [BOJ's balance sheet](#) is now larger than the entire Japanese economy-- it owns over 44% of all government debt and over 75% (!) of the country's ETFs by market value. Meanwhile Abe's October reelection gave him the green light [to continue](#) this path of fiscal and monetary irresponsibility [from which there is no longer any escape](#).

Just the interest on its debt consumes 9.2% of Japan's [2018 budget](#) despite the fact that the country pays a blended rate of less than 1%. What happens when Japan gets the 2% inflation it's looking for and those rates average, say, 3%? Interest on the debt *alone* would consume over 27% of the budget and Japan would have to default! But on the way to that 3% rate the BOJ will try to cap those rates by printing increasingly larger amounts of money to buy more of that debt, thereby sending the yen into its death spiral.

When we first entered this position USD/JPY was around 79; it's currently in the 109s and long-term I think it's headed a *lot* higher—ultimately back to the 250s of the 1980s or perhaps even the 300s of the '70s before a default and reset occur.

We continue to hold a short position in the [Vanguard Total International Bond ETF](#) (ticker: BNDX), comprised of dollar-hedged non-US investment grade debt (over 80% government) with a ridiculously low “SEC yield” of 0.77% at an average effective maturity of 9.4 years. As I've written since putting on this position in July 2016, I believe this ETF is a great way to short what may be the biggest asset bubble in history, as with Eurozone inflation now printing approximately 1.4% annually these are long-term bonds with significantly *negative* real yields, and the ECB is now buying half as many of them as it had been as

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recently as December. The net borrow cost for BNDX now pays us a rebate of a bit over 0.1% a year (less the yield) and as I see around 5% potential downside to this position (vs. our basis, plus the cost of carry) vs. at *least* 30% (unlevered) upside, I think it's a terrific place to sit and wait for the inevitable denouement.

**We remain short the Russell 2000 index (IWM)** which, with a trailing GAAP PE ratio of 98 (no, that is not a misprint) is easily the most egregiously overvalued of the major U.S. equity indexes.

**We remain short shares of NVIDIA Corp. (NVDA)**, a graphics and data-center chipmaker which we shorted in the \$249s/share (nearly 50x trailing earnings). The stock has had a huge run based primarily on purchases of its chips for cryptocurrency mining and hype about prospects for its autonomous driving chips, and yet prices of "cryptos" have declined to the point where [mining them is no longer profitable](#) and recent accidents have kicked autonomous driving further into the future. (In fact, in March NVIDIA temporarily halted on-road autonomous chip testing due to a deadly autonomous Uber accident in Phoenix.) I'm thus looking for the stock price of NVIDIA (a hugely cyclical company) to be cut down significantly.

**And now for the long positions...**

**We continue to own [Aviat Networks, Inc.](#)** (ticker: AVNW), a designer and manufacturer of point-to-point microwave systems for telecom companies, which in February reported a Q4 2017 roughly in-line with previous guidance. Following extensive restructuring, Aviat is now a GAAP profitable company with around \$250 million of annual 32% gross margin revenue, \$6 million in free cash flow, \$33 million of net cash and approximately \$340 million of U.S. NOLs, \$16 million of U.S. tax credit carryforwards, \$232 million in foreign NOLs and \$4 million of foreign tax credit carryforwards. Assuming 5.4 million shares outstanding and valuing the company at just 50% of revenue on a EV basis plus adding in just \$30 million for all the NOLs and tax credits makes this a mid-\$30s stock vs. our basis in the \$15s. The company has an ongoing process to investigate "strategic alternatives" and may sell itself, buy something that can utilize the NOLs or return some cash to shareholders, or it could decide to simply follow its current course of gradual improvement. I'm comfortable owning it at our price basis in any of those circumstances.

**We continue to own the [PowerShares DB Agriculture ETF](#)** (ticker: DBA), bought in December when I looked around for the most beaten-down sector I could find that wasn't a "buggy whip" (something on the way to obsolescence) or cyclical from a *demand* standpoint, and came up with "agricultural commodities." How beaten down is this sector? Since its last peak in mid-2011 through the mid-December date I put on the position (at a blended basis of \$18.26/share), the "[DBIQ Diversified Agriculture Index Excess Return](#)" on which DBA is based was down around 40% while the S&P 500 was up around 100%: in fact, when we bought DBA its underlying index was the lowest it had been since 2003. [Here's an interesting argument](#) as to why many ag commodities have gotten as cheap as they have (crop insurance allowed debt-fueled overproduction) and why they probably can't get much cheaper (production is now capped by maxed-out farmer balance sheets and [may soon start contracting due to climbing interest](#)

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[rates](#)). Agricultural products have *always* been cyclical and—considering the general inflation we’ve had since prices were last here in 2003 (the CPI is up around 35%)—this *could* be the washed-out bottom of the cycle, and now [we may have weather on our side](#). Also, ag prices can be a great counter-cyclical to stocks and you *know* how I feel about the current price of *those*.

**We continue to own [Echelon Corp.](#)** (ticker: ELON), a perpetually disappointing “industrial internet of things” networking company with approximately \$32 million of annual 53% gross margin revenue and an enterprise value of less than \$2 million. In February Echelon [reported](#) Q4 2017 revenue of \$8 million (up slightly vs. Q3’s \$7.8 million) and guided to a roughly flat Q1 2018, with operating cash burn disappointingly continuing at a bit over \$1 million per quarter. Echelon is now focusing its growth on “[smart commercial & municipal LED lighting](#)” (although its fab-less chip business has apparently now stabilized after a long decline), and if the lighting business accelerates (and it could, due to recent sales force hires and new products), I think there’s a chance it can hit a break-even annualized revenue run-rate of \$40 million by Q4-2019 (pushed back from my earlier hoped-for timeline) at which point—assuming \$14 million of remaining net cash (vs. an estimated \$18 million at the end of Q2 2018) and 4.7 million shares outstanding (vs 4.52 million today), an enterprise value of 1x revenue on this 53% gross margin company would put the stock in the mid-\$11s per share. Additionally, Echelon has approximately \$255 million in federal NOLs and \$127 million in state NOLs, worth tens of millions of dollars if it can utilize them. So if it can pull this off (and theoretically, the market for the networking of commercial and municipal LED lighting should be huge between the U.S. and Europe), this stock could be a home run for us. So far though (as noted above) there seems to be little sign of improvement, and although the stock is now near all-time lows I won’t add to the position unless the current CEO (who has had more than enough time to fix things) is replaced.

Thanks and regards,



Mark Spiegel