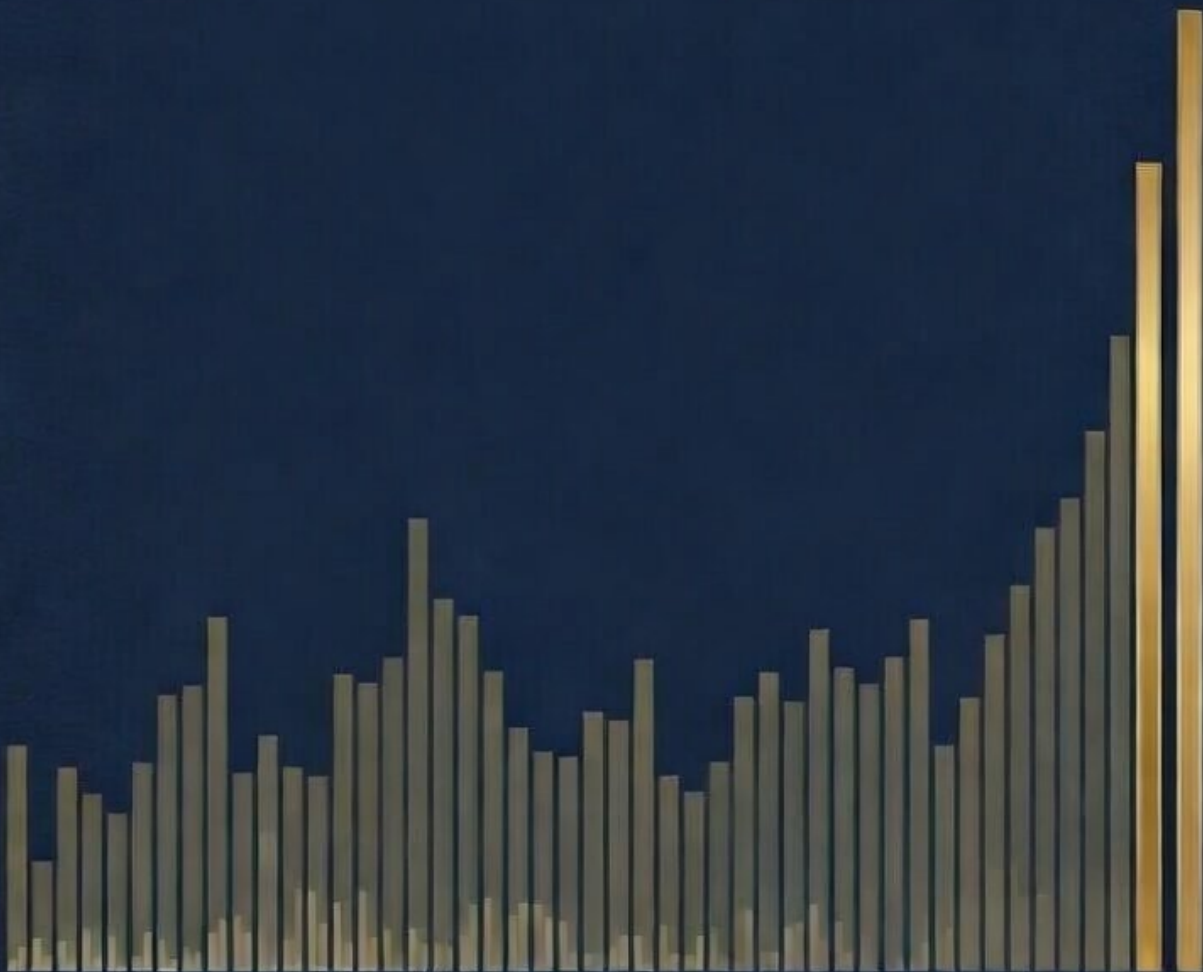


# COMPOUND & CONQUER

*/ Issue 5 /*

**The 70 businesses built to Compound & Conquer.**

**Markman Capital Insight**



# The Cassandra Issue

*Doom sells headlines. Compounding builds wealth.*

Palantir Technologies reported blowout quarterly earnings on August 3, triggering a sharp stock rally accelerated by frantic short covering. While the immediate market reaction was dramatic, the underlying driver was simple. It was not about Wall Street sentiment, clever financial engineering, or temporary market hype. Stocks rise over the long haul when the underlying business grows. When revenue accelerates, margins expand, and earnings surge, share prices ultimately follow.

Palantir is growing rapidly because it builds software that acts as the central nervous system for complex organizations. Its platforms allow government agencies and major corporations to integrate vast datasets, automate workflows, and make real-time decisions using artificial intelligence. Institutions are no longer experimenting with AI in pilot programs. They are embedding Palantir into their daily operations, driving record demand and accelerating revenue growth.

Despite this operational execution, prominent skeptics continue to bet against the company. The primary antagonist in this story is Michael Burry, the hedge fund manager made famous by the Hollywood film *The Big Short*. That fictional account of the 2008 subprime mortgage collapse cast Burry as an eccentric savant who correctly identified the crisis before everyone else. He made a huge speculative bet on a collapse and ultimately won. Today, he is making the same wager against AI businesses.

What the Hollywood narrative glossed over was the nature of the trade itself. Burry bought a lottery ticket on a subprime mortgage crisis, and it paid off. But since then, he has repeatedly applied that exact same playbook against world-class compounders, with disastrous results.

He bought put options against Tesla in 2020 right before the stock surged over 700%. A \$47 million bearish options stance against the semiconductor sector followed in 2023, just as the AI hardware buildout took off. Late last year, he opened put options on one million shares of Nvidia while the company compounded toward record valuation highs. All of those trades ended in heavy losses. Buying out-of-the-money lottery tickets on economic disaster is not investing, and it is certainly not how real wealth is created.

This repeat pattern illustrates what we call the Cassandra Delusion, named after the Trojan princess cursed to speak prophecies of doom that no one believed.

In financial media, persistent pessimism is routinely praised as deep intellectual insight, while structural business growth is written off as temporary mania. Cynicism sounds smart. It commands headlines and gives naysayers an air of authority, even when empirical performance proves

otherwise. Burry's success with the subprime mortgage collapse made him a cult figure among lazy financial writers, who have amplified his bearish warnings ever since. As a result, individual investors are constantly urged to prepare for an imminent crash, pushing them to the sidelines while great businesses compound.

That brings us full circle to Palantir. Burry put real capital behind his pessimistic narrative, purchasing far out of the money put options on the fast-growing AI platform. Regulatory disclosures show he spent over \$9 million in 2025 buying 50,000 January 2027 \$50 put contracts at \$1.84 each. These options give him the right to sell Palantir shares at \$50 early next year. For that bet to turn a profit, the stock would have to plunge more than 70% from its current levels.

The market is now betting heavily against that outcome. With Palantir trading near \$172 per share, Burry's January 2027 \$50 puts have collapsed to \$0.29, rendering them virtually worthless. Burry wasted \$9 million on a lottery ticket betting against a business firing on all cylinders. But his poor timing is not the real lesson. The danger is that his high-profile doom-mongering lures individual investors off the true path to building real wealth. Successful investing comes from owning world-class businesses as they compound, not betting on their destruction.

The good news for investors is Palantir is not a one-off story. This same pattern plays out across entirely different parts of the economy every day. Great businesses do not need market hype or speculative momentum to build wealth for their owners. They need to keep growing their profits and expanding their reach. This month, we look at two category leaders doing that exact job: coatings titan Sherwin-Williams and biotech leader Vertex Pharmaceuticals.

*Ignore the prophets of doom.*

# Sherwin-Williams (SHW)

*The Contractor Network Hiding Behind the Paint*



*Five-year total return: +18.6%. CAGR: 3.5%. Source: Fiscal.ai.*

Sherwin-Williams is a business that most people associate with residential paint, but its true power lies in its deep integration across commercial, industrial, and contractor supply chains. It manufactures and distributes paints, coatings, and related products through a huge network of dedicated stores and industrial sales teams. That footprint matters because painting contractors do not buy based on consumer retail trends. They rely on local store proximity, job-site delivery speed, matched color consistency, and reliable credit terms to keep their own projects running on schedule.

That commercial network creates the first major pillar of its competitive moat. Sherwin-Williams does not rely on third-party retailers to sell its core products. It owns its distribution. That controlled network gives the company direct relationships with professional painters, superior pricing control, and an environment where high-margin, professional-grade products make up the bulk of sales. When a contractor finds a store network that keeps their crews working efficiently, switching suppliers becomes a costly disruption.

The recent operational performance demonstrates that strength. In the first quarter of 2026, Sherwin-Williams reported net sales of \$5.42 billion, up 0.9% year over year, with diluted earnings per share of \$2.17 and adjusted earnings per share at \$2.25. Despite broader housing market headwinds and fluctuating raw material costs, management reaffirmed its full-year 2026 outlook, calling for low-single-digit sales growth and adjusted EPS of \$11.10 to \$11.40. That stability underscores the pricing power inherent in its professional customer base.

This resilience reflects a disciplined operational model. Sherwin-Williams management knows how to navigate changing economic cycles. When new housing construction slows, repainting and maintenance demand steps in to cushion the impact. By pairing a dominant store network with continuous efficiency improvements across its manufacturing and supply chain, the company protects its gross margins regardless of macro noise.

When you look past short-term housing cycles, the long-term economics reveal a premier compounding engine hiding in plain sight. Controlled distribution, contractor loyalty, and steady margin expansion turn modest top-line volume growth into exceptional, compounding returns for long-term shareholders. This is a company that understands its core advantage and exploits it systematically.

The historical performance confirms that compounding power. In 2006, Sherwin-Williams shares traded at a split-adjusted price of \$15.80. The stock currently trades at \$360.16. That represents a 16.92% compound annual growth rate over two decades, excluding dividends. A \$10,000 investment made in 2006 would be worth approximately \$228,000 today.

Sherwin-Williams is a special business because generations of managers have found a way to build shareholder value despite the cyclicity of the end markets the company serves.

**Action: Strong buy below \$370. Price target \$517 within 24 months (+39.7% from entry). Long-term hold.**

# Vertex Pharmaceuticals (VRTX)

*A Cash-Flow Tollbooth Disguised as a Biotech*



*Five-year total return: +169.9%. CAGR: 22.0%. Source: Fiscal.ai.*

To many investors, biotechnology can seem overly complex or volatile, but Vertex Pharmaceuticals built an enterprise around solving the most severe genetic diseases. It is best known for its revolutionary therapies treating cystic fibrosis, a life-threatening genetic disorder. Vertex does not make broad health products. It develops targeted small-molecule medicines that treat the underlying cause of disease rather than merely managing symptoms.

That deep focus created a near-monopoly in cystic fibrosis treatment. Vertex owns an unmatched intellectual property portfolio and decades of clinical expertise in this specialized field. Its therapies, including Trikafta, serve virtually the entire treatable patient population globally. Because these medicines are life-sustaining, patient retention is exceptionally high. That creates a stable, recurring cash flow foundation that few biotechnology companies ever achieve. That moat was just stress-tested in public. On August 10, Sionna Therapeutics, the closest challenger to Vertex in cystic fibrosis, reported a failed drug trial and lost 92% of its value in a single session. The nearest

competitive threat to the franchise did not fade. It collapsed.

In the first quarter of 2026, Vertex reported total product revenue of \$2.70 billion, up 10% year over year, driven by continued global expansion of its core therapies. Management raised full-year 2026 product revenue guidance to between \$10.8 billion and \$11.0 billion. At the same time, new non-cystic fibrosis therapies are beginning to contribute to growth, proving the commercial model is expanding.

That performance stems from a repeatable operational playbook. Vertex uses the cash flow from its core monopoly to fund late-stage clinical development across adjacent rare diseases. By focusing on conditions with high unmet medical need and clear biological targets, it maximizes clinical success rates and speeds regulatory approval. This strategy allows the company to enter new markets from a position of financial strength rather than relying on debt or dilutive stock offerings.

When investors look at biotechnology, they often worry about binary trial failures or upcoming patent cliffs. Vertex presents a very different economic profile. Its core franchise operates much like a high-margin tollbooth, generating billions in predictable cash flow. That self-funding model insulates the business from macroeconomic volatility and allows management to systematically broaden its pipeline into gene editing and acute pain management.

The proof of this strategy shows up in long-term shareholder returns. In 2016, Vertex shares traded near \$92.00. The current stock price is \$525.80. That represents a 19.04% compound annual growth rate over the past decade. A \$10,000 investment made in 2016 would be worth approximately \$57,200 today. That is exceptional performance for a company operating in a highly complex industry.

To many investors Vertex seems like a one-trick pony due to its dominance in cystic fibrosis drug treatments. That is the incorrect view. The company continues to leverage that strong base to expand its pipeline. Shares broke above our entry in early August after a strong quarterly report, an \$8.8 billion acquisition that adds a fifth commercial pillar, and the collapse of its nearest rival. All three events strengthen the thesis. None of them changes our discipline. Wait for \$500, or scale in on weakness. We do not chase.

**Action: Strong buy below \$500. Price target \$663 within 24 months (+32.6% from entry).  
Long-term hold.**

## Stay Focused on the Business

*This month's takeaway.*

This month started with a clear lesson: stock prices ultimately follow fundamental business execution, not market cynicism or narrative noise. Skeptics often grab headlines by predicting crashes or writing off structural growth as temporary mania. Yet long-term wealth creation belongs to investors who remain patient and let dominant businesses compound.

Sherwin-Williams and Vertex Pharmaceuticals operate in completely different corners of the economy, but they share the exact same underlying DNA. Sherwin-Williams wins by controlling its distribution and serving professional contractors who demand reliability. Vertex wins by dominating a specialized medical niche and using that steady cash flow to expand its pipeline. Both companies focus on what they do best, protect their moats, and deliver consistent returns.

For individual investors, the path forward is straightforward. Ignore high-profile short sellers, ignore daily market swings, and stay aligned with world-class compounders. When you find category leaders with durable economics, disciplined management, and clear growth runways, the winning strategy is simple: buy them at reasonable prices and let time do the heavy lifting.