



August 2021

# Galloway Capital Partners

## Monthly Investor Newsletter

Dear Investors:

**In August 2021 the Portfolio generated a return of +1.58%, +89.83% YTD and +591.96% since January 2018.**

The month proved to be challenging, with FAANG stocks being the stellar performers. They are now approaching 12 trillion dollars in value, and again we think they are very stretched. Value cyclical and small-caps are still struggling to maintain their leadership position, which was thus established at the beginning and late last year. But as the Delta variance subsides and the port and logistic situations improve. We believe that that sector will start outperforming again. We believe we are in the secular Trend where value small caps and cyclical outperform, and we are just in the beginning stages.

We are continuing to be very positive about energy. Our favorites are the Midstream partnership companies such as Summit Midstream Partners; enlink midstream enables midstream aside from those we love, Occidental Petroleum and Halliburton. The good news is that one of our special situation technology companies, our lot play reported a spectacular quarter and great forward guidance, which means we are at the beginning of that trend. We started buying that company three years ago at a dollar 80, and it closed the quarter at 6:50. Our other special situation technology companies have yet to perform but we are very optimistic about them. Our Mobility cyber play, our wireless play, and our AR VR situations. We also added two very opportunistic syntax plays, which we feel are very exciting and way under the radar screen. We are still very positive about the automotive sector, with significant Holdings in Ford and Tenneco Automotive.

We end the month with 50 positions. Only one of our plays is over 10%, and that is our AI play which we started buying at 5, and it ended the month at 8:25. We believe that this could go to 50 within two-and-a-half three years. Because of our terrific performance, we were invited to speak at one of the largest family office conferences at the end of the month.

*Bruce Galloway*  
**Bruce Galloway**

Chief Investment Officer

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Dear Investors:

**In July 2021, the Portfolio generated a return of -12.55%, +86.88% YTD and +581.20% since January 2018.**

During the month, there were many cross-currents in the markets, such as a surge in the Covid Delta variant, supply chain issues, and a slowdown in China. This also caused interest rates to tank, then rally up, just to tank again. There were multiple rotations between value and growth stocks, with the net that value stocks sold off sharply. Not only that, many stocks that were overextended on the upside traded down significantly from profit-taking in many of our positions that had rallied 2-3x. We saw significant profit-taking in all of our energy stocks in which we are overweighted. We also saw significant profit taking in our small-cap and micro-cap positions. Several of our special situation positions traded down 25% during the month. We are still very optimistic about the market as interest rates will remain low for the foreseeable future.

There is so much talk and expectation about tapering that once it happens, the stock market should actually rally, indicating strength in the economy. We are adding to some of our positions that have rebounded dramatically from their highs as we believe there is significant upside.

We are also taking large positions in very low P/E stocks such as U.S. Steel, Inc. (NYSE: X), which is trading at 2.2x earnings, and Cleveland Cliffs, Inc. (NASDAQ: CLF), which is trading at 5.4x earnings, Tenneco, Inc. (NYSE: TEN) trading at 4.1x earnings and Ford (NYSE: F) which is trading at about 5x normalized earnings. I say normalized earnings because there are some short-term issues, such as semiconductor shortages, that are affecting them, but demand remains extraordinarily strong.

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Overall the portfolio is well diversified, with over 53 positions across a variety of industries and market capitalizations. During the month, we added Yellow Corp. (NASDAQ: YELL), Beazer Homes, Inc. (NYSE: BZH), Hovnanian, Inc. (NYSE: HVNP)(Preferred), MoneyGram International, Inc. (NASDAQ: MGI) and Widepoint, Inc. (NASDAQ: WYY). As we have been stating for months, we believe the value will continue to outperform growth over the next few years, contrary to how growth has outperformed value for 13 straight years. We believe our value/catalyst approach is the optimal way to generate significant investment returns. We are pleased to offer the opportunity for new investors to participate in our investment strategy. We accept managed accounts with a minimum of \$2.5 million or investments in our fund with a minimum of \$1 million.

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