Jan/Feb 2022

Galloway Capital Partners

Monthly Investor Newsletter

Dear Investors:

In January and February 2022, the Portfolio generated -3.89% and -0.52% returns, respectively. Through February 2022, the Portfolio is -4.39%YTD and +384.87% since January 2018.

In February, we entered a very volatile period with the Russian invasion of Ukraine and the global concern of World War III. This also led to extreme volatility in the global energy marketplace due to disruptions and sanctions on Russia's 12 million barrels/day of oil and 15 billion barrels/day equivalent of natural gas, exported mainly to Europe. This contributed to a further upward spiral of inflation in metals, mining, oil, gas, and agricultural products. Additionally, we emerged a new strain of Covid in China and a resurgence of virus rates in Europe.

From our monthly commentaries, nine months ago, we turned very positive on the oil and gas sectors as it had sold off from 19% to about 2% of the S&P. On the flip side, Tech, Telecom, and Media had gone from 18% to over 40% of the S&P. We have taken positions in Occidental Petroleum (OXY), Halliburton (HAL), Transocean (RIG), and Whiting Petroleum (WLL). In addition, we acquired positions in many tanker companies, including Nordic American Tanker (NAT), Frontline (FRO), and Teekay Tankers (TNK). In anticipation of shutdowns of Russian oil installations due to sanctions and lack of SWIFT system transaction capabilities, we believe that much oil will be rerouted, causing a "cantago" in tanker logistics, similar to what is going on with the dry bulk shipping market. We have maintained our positions in the Midstream Partnerships and our preferred and dividend-paying shares to reduce exposure from our unique situation technology portfolio. These positions are proprietary to our investment philosophy, have strong upside potential, and are below the radar screen of Wall Street.

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As we see now, when there are severe downdrafts in NASDAQ and many tech companies are down 60%, 70%, 80%, and even 90% from their highs, you also have collateral damage in other sectors. When sellers of Tech and NASDAQ stocks come to the market through derivatives and algorithmic technical activities, they push a button and sell everything. So many of our stocks are down as collateral damage. Still, we are very optimistic about the upside potential of all of them as their fundamentals have not deteriorated and have improved with the strong economy. We don't believe that the FED raising rates is necessarily a bad thing. In many cases, when the FED raises rates, the economy is screaming, which bodes well for earnings and growth. Hopefully, the FED won't overdo it and kill the “Golden Goose.”

We have a well-balanced and diversified portfolio with approximately 47 positions across many industries and market capitalizations that should significantly outperform the major indices. We are well-positioned to take advantage of this upside in the market when we get through this period of uncertainty and volatility. We believe our value/catalyst approach is the optimal way to generate significant investment returns, emphasizing natural resources and preferred and dividend stocks, which should reduce the downside volatility.

Bruce Galloway

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Chief Investment Officer

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