



June/July 2022

Galloway Capital Partners

Monthly Investor Newsletter

Dear Investors:

In June and July 2022, the Portfolio generated returns of -21.21% and +18.01%, YTD-20.61% and +302.58% since January 2018,

We saw extreme negativism in June as inflation spiraled out of control on the upside, and the FED responded vigilantly. It was almost unanimous amongst economists that the economy was heading into a deep recession quickly and grinding to a halt. There was wholesale selling of securities across the board, including the inflation hedges, such as materials, oil & gas, and consumer discretionary. Our energy stocks and preferred stocks were trashed during June, along with everything else. Technology stocks, in general, were thrown out for dead.

In July, with the pre-releases of earnings, investors realized that the economy was not in a free fall. The markets started to rebound towards the end of July and into the first part of August. The earnings reports came out positive, and many large economically sensitive companies came out with prospects that spelled no severe downturn in fact still a strong consumers and a strong economy.

At present, there are various business initiatives to bring manufacturing and technology back to our shores and reduce overseas reliance. This has been spurred by China's actions in Asia, particularly against Taiwan. Additionally, there has been a push to expand artificial intelligence, migration to the cloud, cybersecurity, and the roll-out of the Internet of Things on the 5G and 6G networks. We believe these transformative initiatives will be positive on many levels for the US economy.

We still favor the home builders with significant positions in Hovnanian (HOV) and (HOVNP) (Preferred) and Beazer Homes (BZH). Additionally, we hold positions in the oil and gas sectors. Our favorites are Whiting Petroleum (WLL), Varco (NOV), Transocean (RIG), and Summit Midstream Partners (SMLP).

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We continue to hold positions in Yellow Corp. (YELL) and Inspired Entertainment (INSE). We have also been accumulating Rite Aid (RAD) in the Portfolio. The stock is trading at a \$400 million market cap with \$27.5 billion in sales. We believe the stock has 4-5x upside potential.

We continue to have a well balanced and diversified portfolio with approximately 47 positions across many industries and market capitalizations which should significantly outperform the major indices. We believe that 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 with an emphasis on natural resources, preferred and dividend stocks which should reduce the downside volatility.

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