



July 2021

Galloway Capital Partners

Monthly Investor Newsletter

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 Wepoint, 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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