



March 2022

Galloway Capital Partners

Monthly Investor Newsletter

Dear Investors:

In March 2022 the Portfolio generated a return of +7.23%, +2.52% YTD, and +419.92% since January 2018.

Our performance in 2022 is a major accomplishment since Q1 was among the worst first quarter ever for the major indices. During the month, a strong contributor to our performance was our #1 technology position, a proprietary AI company that reported strong numbers and a very strong outlook. The stock was +40%. We also had a very strong month in the steel sector with Cleveland-Cliffs (CLF) and US Steel (USX). Our oil and gas stocks also participated well in a rally. Led by Transocean (RIG), Whiting Petroleum (WLL), Occidental Petroleum (OXY), and several Midstream Partnerships. We are concerned about the Fed's hawkish approach and think they are looking at inflation too heavily and ignoring the markets.

I am a strong believer in the wealth effect and with spiraling interest rates combined with quantitative tightening, asset values can fall very steeply creating a lock-up in the capital markets as was witnessed 14 years ago during the derivative meltdown. Our portfolio is very defensive and with a weighting of preferred and dividend-generating positions, along with asset-heavy plays.

Greater than 90% of our positions are true value plays with solid earnings and balance sheets. We believe this will get us through the choppy stages of the stock market. The housing industry has been particularly hard-hit. Many housing stocks are -30% to -50%. Our two favorites, Hovnanian (HOV) and Beazer (BZH) are both selling at 2-3x earnings. They have much-enhanced balance sheets due to extremely strong cash flows over the last 18 months. Our proprietary technology positions are all poised for strong growth with a potential upside of 10x or greater.

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In the current market with the steep sell-off, private equity firms have been active in looking for potential targets. We believe that several positions in the portfolio are poised for takeovers at market premiums. On that note, we are actively seeking an institutional partner with whom to form a strategic relationship to identify and participate in potential buyouts.

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.

Bruce Galloway
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Chief Investment Officer

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