



May 2021

Galloway Capital Partners

Monthly Investor Newsletter

Dear Investors

May 2021 the Portfolio generated a return of -1.06%, +104.31% YTD, and since January 2018 +644.63%.

This was the first down month in 7 months. This decline was due to a temporary cross-currents 'flip-flop' in the markets where value stocks sold off and large-cap growth improved performance. As the economy heats up, we expect the value to resume its ascent since large-cap growth is more defensive in a low-growth environment.

During the month, we increased our positions in the oil and gas sectors. We currently own three of the Midstream partnerships, which are still off 75% from their three-year highs. We are also aggressive in Occidental Petroleum Corp. (NYSE: OXY), BP, PLC (NYSE: BP), and Continental Resources, Inc. (NYSE: CLR). Oil is currently trading at \$72/barrel, a level that it has not seen in quite a few years. Natural gas is trading at \$3.20/MCF, a level that hasn't been achieved in 7-8 years. This is the perfect storm with record highs for natural gas and strong crude prices. We expect cash flows for the sectors to be significant, considering Capex was depressed over the past year.

Even though the energy sector is up 100% this year, it still has underperformed the market by 67% over the past 5 years, and we believe has another 200% of upside to go. We are also taking a very large position in another natural resource company that is trading at literally 1/50 of the price of its peers, and completely under the radar screen, With zero coverage on Wall Street and zero institutional ownership! The company still has to overcome several hurdles over the next 12 months in order to hit Pay Dirt!

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This company will probably turn out to be the equivalent of when Apollo Management made 20-30x on their investment in LyondellBasell. One of our stellar performers has been Tenneco, Inc. (NYSE: TEN). We started buying it about 3 months ago when it was trading at a market cap of only \$900 million, of 2x normalized earnings, for a solidly profitable automotive parts manufacturer. Since we acquired the position, the company has reported annualized earnings of \$4.50/share, and the stock has more than doubled. We believe the stock can double from its present levels, double, and then double again to \$80/share.

Overall the portfolio is well diversified, with over 53 positions across a variety of industries and market capitalizations. We are 35% Tech, Telecom, and Media, only in deep value positions that are below the radar screen of Wall Street and at a transformational change in the industry niche in which they address. We believe the value will continue to outperform growth over the next years, contrary to how growth has outperformed value for 13 straight years. We believe our value/catalyst approach is the optimal way to approach value investments. We believe that there are still a lot of runways ahead of us and we are in the first or second inning of this transformation.

We have decided to launch a new fund on July 1 st It will be open to accredited investors with a minimum investment of \$1 million. We are also accepting managed accounts with a minimum of \$2.5 million.

Bruce Galloway
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Chief Investment Officer

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