November 2021

Galloway Capital Partners

Monthly Investor Newsletter

Dear Investors:

In November 2021 the Portfolio generated a return of -26.34%, +50.16% YTD and +447.36% since January 2018.

November was a tumultuous month, to say the least. There were concerns about the Omicron virus, tapering from the Fed, interest rates, inflation, a global slowdown, shipping, and the supply chain. Many high-flying stocks were absolutely “shredded” during the month. The Covid “darling stocks” such as Peloton (PTON), Zoom (ZM), and C3.ai (AI) were -70% to 80% from their highs. Even market stalwart Tesla (TSLA) saw a significant decline. Many stocks trading at 20-40x revenues came down sharply. Unfortunately, in times of sharp sell-offs, with many days down 400, 800 even 1,000 points, positions in our portfolio became collateral damage. We focus on undervalued, overlooked stocks that are not widely followed by Wall Street. In times of volatility combined with the program and derivative selling, these stocks have a dearth of liquidity and drop precipitously on very light volume.

Our largest position, an artificial intelligence company, reported revenues of +20%, which was a good number, but some investors were looking for higher numbers as their business has ramped up. This started a wave of selling, and the stock sold off of its recent highs by 50%. Our Internet of Things position, which is doing fabulously well and has announced significant contracts, pursued a stock offering to bolster its capital base to support a stepped-up level of business. This contributed to a selloff in the stock.

Our top choices outside of our special situation technology positions were: Tenneco, Inc. (TEN), Conn’s, Inc. (CONN), Nordstrom, Inc. (JWN), which is down 60%, as well as U.S. Xpress, Inc. (USX) and Yellow, Inc. (YELL). We have also added to our position in Lordstown Motors Corp. (“RIDE”), which is down 85%. A comparative, Rivian Automotive, Inc. (RIVN) trades at 100x RIDE’s valuation. We initiated a position in Carlotz, Inc. (LOTZ) Inc, a busted SPAC which is down 85%.

(212)-247-1339 or (917)-405-4591 bgalloway@gallowaycap.com

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While we are not bullish on Crypto, we have initiated a position in CompoSecure, Inc. (CMPO). In addition to manufacturing over 250 million metal credit cards per year, they also have Oculus, which is the most secure crypto wallet available. We believe that this will be a standard in the industry for the hundred million or so Crypto users.

We believe that there will be a lot of bargain hunting in January and that we will have a strong January effect in the markets. We are selectively adding to our positions and believe 2022 will be a "Stock Pickers Market," which is where we outperform.

We continue to have a well-balanced and diversified portfolio which we believe will significantly outperform the major indices. 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 14 straight years. We believe our value/catalyst approach is the optimal way to generate significant investment returns.

Bruce Galloway

Bruce Galloway
Chief Investment Officer

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