

Gleneagle Asset Management Gleneagle Investment Fund (GT Momentum Portfolio)

January 2021 Review

The GT Momentum Fund gained 8.77% last month as the thematic that we are focused on in 2021 started the year strongly.

In the December 2020 investor note we highlighted the key thematic and market opportunities that are likely to dominate the best returns for investors in 2021. Recapping the key four:

- 1) The ongoing opening of the global economy and the effects of Government stimulus on rising interest rate expectations (bond yields) and the benefit this will provide to the banks
- 2) Zero interest rates in Australia and the surge in mortgage demand
- 3) The renewable energy revolution and its demand on resources to build electric vehicles, charging networks, solar and wind farms as well as nuclear power
- 4) Broad Government spending on common infrastructure (roads, bridges, railway, buildings) in an effort to lower unemployment and lift growth

The renewable energy revolution is one that we are specifically focused on as we have highlighted this at length over the course of the past year. The most important factor in our view that dominates this drive is that this is really the first Western world-led commodity consumption since the post-World War Two economic recovery. While there have been commodity booms and bubbles since then, these have largely all been led by emerging market economic development such as China's huge commodity demand over 2005-2008.

The renewable energy drive to de-carbonize energy production across the entire Western World is being implemented by Government legislation that has the effect of not only shifting the demand curve for commodities significantly higher but also ensuring it remains there for several years. In January we saw many of the producers and developers in rare earths, tin, graphite, nickel, lithium etc all have a strong start to the year with some exceptional gains. Trades in rare earth companies such as Lynas Corp and Arafura Resources were significant contributors to the portfolio's gains as they rallied 20% and 69% respectively in January. Another significant winner for the fund was a strategic investment we made in MetalsX – an Australian tin producer – which gained 36% on the month but has actually produced a 100% return on our investment that was made only 8 weeks ago.

It is clear that this renewable energy thematic is running hot and much of the opportunity lies in the mid-cap and small cap producers where such exceptional potential for substantial gains is always present. However, with the potential for large profit comes the certainty of volatility. Naturally our goal is to capture as much of a stock's rise as possible but in order to do so we have to be willing to ride out market pullbacks and aberrations which at times will have an adverse effect on our month-to-month performance especially when their declines may come in unison.

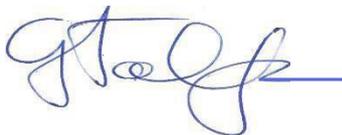
Naturally we are aware of these dangers and pitfalls and have processes to reduce this as best as possible. Some of the methods we adopt are a combination of actively rotating between the leaders and laggards, and selling portions of the positions into strength. Where possible or prudent we may add protection to the portfolio with put options in the same or similar companies or via hedging the overall portfolio as best as possible with index futures.

In other specific company contributions to the fund, Raiz Invest proved a solid winner with a gain of 40% in the month. This “fintech” company allows for app users to allocate change from general purchases or portions of their wage to a number of RAIZ investment portfolios that have been created by a team of investment experts. Raiz currently operates in Australia, Indonesia and Malaysia and in January surpassed \$600 million in funds under management. It’s current trajectory should see it surpass \$1 billion in funds under management by the end of 2021. We continue to hold our position in Raiz as monthly growth rates are in excess of 5% and 12 month growth rate of 75%. Exceptional.

Finally another significant winner for the fund surrounded the “Gamestop” short squeeze saga. This has of course been a major global news event and has attracted a lot of media attention. We had actually reviewed Gamestop as an investment in August 2020 at \$9 when Ryan Cohen (founder of Chewy) made his \$76 million investment. The rapid run in the share price immediately after his investment was made public, made it difficult to justify paying 50% more than he did (without the current benefit of hindsight!). The subsequent short squeeze that occurred late in January directed us to participate in the short squeeze in other “highly shorted” stocks in the US such as Virgin Galactic which jumped 61%.

Moving forward the same level of orchestrated investment by these retail investors is occurring in silver – something that we have discussed at length in 2020. We have a very positive outlook for silver based on its industrial uses in renewable energy like solar panels and believe its huge underperformance relative to gold will reverse at some point, leading to a substantial appreciation in prices and silver producers alike. We hold positions directly in silver futures, silver call options and ASX listed silver producer Manuka Resources. At some point we expect to see a significant break above US\$30/ounce where we will look to increase our holding to further capitalize on what could be another silver “once a decade boom”.

Until next month,



Gregory Tolpigin Portfolio Manager
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