

## Gleneagle Asset Management Gleneagle Investment Fund (GT Momentum Portfolio)

July 2021 Review

The GT Momentum Fund eased 3.47% for July as the fund's core equity positions drifted on a lack of market moving news in their specific developments. This can prove frustrating in an environment where the broader global equity indices are grinding higher giving the impression that we are being left behind.

Given that we are not index huggers, there will be periods of time when our trade ideas and exposures will be in holding patterns awaiting news and developments that will hopefully re-rate them higher. At times these waiting periods can be painstakingly long and normal human psychology will see some investors question not only the merits of such a strategy but the basis of each and every investment that is not performing as well as the headline index. However, provided these investments still show momentum in the underlying business (albeit not always reflected immediately in the share price) we will continue to back them as the catalysts to re-rate them higher will more than offset the current underperformance to the index.

Helios was the culprit for as it declined from 17.5c at June end to 14.5c to close out July. As the chart below shows, Helios is still trading within its 12-month range as we await news on additional purchases and the next drill program. Just to recap the key points of our investment thematic behind Helios:

- We have been investors since its IPO at 2c
- The Company has been leasing acreage at \$50/acre and current market cap reflects a market value of ~\$3000/acre
- Recent deals in the Permian Basin of Texas have been in the range of US\$30,000/50,000 per acre
- Additional land purchases and drilling program will continue to add value to the current ~\$3000/acre value (which we expect to be announced in coming weeks)

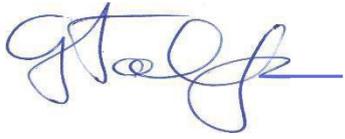


Lockdowns in NSW directly impacted our Locksley Resources IPO which gained 15% upon listing but, without being able to have a drill-rig on site, (and begin drilling) there has naturally been a delay to the initial timetable to achieving its JORC complying resource. Any delays always bring out the impatient investors and naturally some felt waiting an extra month or two is no longer worth the investment and pushed the share price back under its IPO price. With lockdowns easing in regional NSW, we understand a rig is now on its way and drilling will commence shortly with the timetable still set for a JORC resource by the end of the year across is copper tenements that were spun out of Mincor Resources.

Elsewhere, lithium, rare earths and associated metals continued to benefit from the electric vehicle revolution and de-carbonization thematics. This has been a thematic that we have been supporting for the past year and recent movements in the sector have benefited our holdings in Lynas Corp, IGO, Vulcan Energy and others that have risen to fresh multi-year highs. Bank of America research forecasted a lithium battery deficit through 2025-2030, while Macquarie Research suggested that the lithium market could be in a perpetual deficit. This is all reflective of why we have skewed the portfolio to have an above average exposure to this long-held and persistent thematic. We are looking to add to our lithium and rare earth exposures on dips as we believe this trend will still continue for several years.

Finally, the months of August and September are typically the worst months of the year for equity markets and equity index gains are very long in the tooth. From experience it is during these periods that we do witness the old adage “up the stairwell, down the elevator shaft” which commonly reflects that markets can spend an age rising very slowly and then in one foul swoop, drop sharply and give up months of gains in a matter of days or weeks. It is a fear we have carried for the past few months and have been taking a cautious approach as such. We have some index put options to protect parts of the portfolio from any sudden decline and although they do cost the fund a small negative return while the market rises, we think it is prudent to have some insurance in place.

Until next month,

A handwritten signature in blue ink, appearing to read 'GTolpigin', with a horizontal line extending to the right.

Gregory Tolpigin Portfolio Manager  
Gleneagle Securities (Aus) Pty Ltd