

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

October 2021 Review

The GT Momentum Fund gained 3.76% in October compared to the ASX 200 which declined marginally over the month, substantially underperforming a strong period for US markets. This discrepancy and divergence highlights the need to be focused on key sector thematics and individual stock selection rather than just a broad exposure to equities as an asset class.

With rising interest rates, volatile energy prices and inflationary pressures the investing landscape is rapidly shifting and becoming more treacherous. These levers are pulling and pushing equity markets in different directions as investors try to determine and reposition themselves from those sectors and industries at greatest risk to these headwinds to those where tailwinds still exist.

Furthermore, as this “rotation” persists within equity market sectors (as well as geographically), we will see investment trends narrow in time, translating to rapid gains as money flows into one idea and then quickly exits as it chases the next short-term thematic. As the universe for these thematics drastically reduces, we will see greater levels of volatility and overshoots both on the downside and the upside, from where the money is exiting and towards those thematics which it is chasing.

While we have highlighted several longer-term thematics that we believe in, the next three to six months will be dominated by a select few, depending on:

- 1) The speed at which central banks remove market stimulus and begin to focus on tightening monetary policy in 2022
- 2) How high energy prices will reach over the northern hemisphere winter
- 3) The resulting focus on needing to accelerate the development of additional, reliable, renewable energy sources to avoid future spikes in energy prices and combat climate change

As a result, we see a direct focus on oil producers and those explorers/producers of commodities in deep demand for the renewable energy/EV revolution. Everything from hydrogen to lithium and rare earths should still be able to trend higher into early 2022.

Our focus will be concentrated in this area as we see these as the only sustainable trends where investors can have confidence of “buying the dip”, with high probabilities that after any marginal weakness, new highs will be seen. The same cannot be said for many other sectors and asset classes where the combination of increasing volatility creates doubts not only on whether new highs can still be made but also how low that “dip” can be.

As we round out the year and embark on the first quarter of 2022, several of the fund’s unlisted investments are now on the pathway to bearing fruit. Bitcoin miner, Mawson Infrastructure Group (formerly known as Cosmos Capital) completed its NASDAQ listing and was the major contributor to the gains this month. The share price ended the month at US\$10.19 compared with our US\$3.40 investment. Unfortunately due to high demand for the Convertible note we were only able to secure a very small allocation but with the sharp increase in the share price, it represents a healthier 5% of the fund and future gains will have a more meaningful impact on the fund. As noted in our quarterly webinar, the current valuation of Mawson relative to that of the other US-listed bitcoin miners, still leaves substantial room for further share price appreciation, even in the absence of additional gains

in the underlying price of Bitcoin.

In further news of our unlisted investments – MyRewards has lodged its prospectus to the ASX and is now conducting roadshows for its upcoming IPO in December. Last month ANZ’s innovation fund 1835i Group made a takeover offer for ASX listed Cash Rewards, which is a strong sign that the global market for loyalty management schemes is growing strongly. Currently estimated to be a US\$7.3 billion market, it is forecasted to sustain a compounded annual growth rate of 15.3% out to 2026. MyRewards is well positioned to accelerate its growth as it already represents more than 100 corporate clients including Telstra, MLC, Ramsay Healthcare and reaches over 4.6 million members. Expansion into South East Asia and the United States underpins an exciting outlook for the Company.

Finally, our investment in Infinite Blue Energy, Australia’s first major green hydrogen project, is conducting a pre-IPO investment ahead of its ASX listing in the first quarter of 2022. Infinite Blue has been aggressively progressing its project with the securement of offtake agreements for Stage 1 and 2 of its production profile with major industry partners while also attracting tier 1 level management to its Board. Given this progress and our early investment in the Company’s history we are particularly excited about the benefits this holding can produce for the fund.

Until next month,



Gregory Tolpigin Portfolio Manager  
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