

## Gleneagle Asset Management Limited Gleneagle Investment Trust (Equity Fund)

May 2022 Review

The Equity Fund eased 0.5% in May as global markets remain volatile and indecisive as little resolution of the main macro concerns emerged over the month. As we have been discussing, the ramifications of excessively low interest rates and the war in Ukraine has created a landscape of rising interest rates and rising inflationary pressures that investors and financial markets have not endured in decades.

The transition from a period of “everything appreciates in value” creating investor fear of missing out, to now one where consumers, businesses and investors are tightening their purse strings, creates risks that higher interest rates will trigger a global recession, All factors we have discussed in recent months in this note.

While this inevitably creates enormous opportunity in markets as they re-adjust (as it did following the Global Financial Crisis in 2008 and the Tech Wreck of 2000) timing the entry point and deployment of capital is crucial. We noted last month that many stocks have already fallen by up to 90% of their value and have become “of interest” of potentially approaching or reaching their cycle low point and thus representing attractive long-term value. The past month did see some of these stocks stabilize but, unfortunately, have not displayed anything meaningful to suggest the timing is right to begin deploying capital. Patience in investing is a trait lost on many.

The past month though did see further positive developments amongst on our core holdings with Helios Energy revealing strong oil and gas shows across multiple pay zones in its drilling program at the Presidio project. Drilling continues into the limestone formations over the coming days and we are expecting additional results this month. The results and indications so far continue to underpin the optimism that management and we do have that a new oil province exists. It has been a frustrating ride do date with progress at the project seemingly non-existent at times but we have always been of the view that a new oil province exists in the underexplored region and that the rewards could be substantial as a result. In terms of upside potential we repeat last month’s comment *“Furthermore, Helios currently trades at an equivalent price of US\$3000/acre while sales of land in the broader Permian Basin in Texas during the past 12 months have occurred in the range of US\$15,000 to US\$60,000/acre presenting significant upside if Helios can further prove the size of its oil project”*.

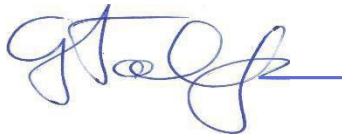
Elsight improved over the month – gaining in excess of 10% - as the overhang of the block trade used to fund the early exercise of stock options by the Company founders, passed. The focus turned to the ongoing expansion of the partner program and Drone Up’s expansion with Walmart to deliver packages via drones. Following the Tech wreck of 2000, those that had the vision to see that global consumers would be conducting a significant portion of their purchases online over the next two decades had the opportunity to purchase Amazon shares 90% off their peak and enjoy returns of 30-50x. Looking forward into the future, if one believes that a significant portion of deliveries will be conducted via drones, then Elsieht is one of the “must own” companies exposed to this trend as a supplier of the crucial “Halo” chip that allows drones to fly beyond the visual line of sight (BVLOS).

In other news, I have decided to hand over the management of the fund to a highly experienced trader who I have worked with over the past five years in differing capacities – Tim Muirhead. Tim is market veteran who started trading in 1996 after studying Engineering and Computer Science. He was the first employee and financial backer of Tibra, a world class trading firm that started in Sydney in 2006. He is currently Chief Investment Officer of Arbidyne Capital which he co-founded in 2012.

The decision was not one that was taken lightly but when taking into account personal circumstances, the best interest of investors (including my investment in the fund) and the investment environment, bringing in a trader that is more adept and skilled in the current market conditions is the most advantageous outcome for all.

Given that I will be maintaining my investment in fund, Tim was specifically chosen as he is one of the few individuals I have faith in to be able to produce consistent returns over the long-term and that I am comfortable managing my money (something that I personally have problems delegating!). Importantly he is also a supporter of the existing holdings in the fund and his broad trading style and approach is similar to mine and has extensive experience in systematic trading systems, portfolio construction and especially risk management. He currently trades a strategy that combines fundamentals, technical analysis and sentiment in a global macro framework with an exceptional track record of delivery strong risk adjusted returns in most market conditions. Tim will begin July 1 and I think investors will be pleased with his approach and results.

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