

March 2025

Dear Investors:

In April the Portfolio was +11.2% following -20% in March. This compares to -1.4% and -2.9% for the S&P 500 and Russell 2000, respectively. Our performance YTD is: -5.05%, and since January 2018 has been +1,515% with Average Annualized Returns of +61.01%.

What can I say? We have a schizophrenic marketplace very reactive to everything. President Trump does in March. He came out swinging. Imposing horrific tariffs on everything and everyone. And countries work counteractives in imposing tariffs on us and he was bouncing back with even stiffer tariffs on them. It got to an incredible trade war which is damaging for everything and the markets correspond to that. Stocks traded irrationally and the small of the stock was the more it was taken down. Fortunately, we wanted to lock in some of our profits from last year, so we diversified heavily into high dividend stocks, high dividend funds and preferred shares and housing shares, which we thought would be pretty much amusing since they're down so much anyway. We have held up pretty well considering the major draw Downs in the marketplace. Specifically the mac seven in which most people will leverage 2to1 and 3to1 we took advantage of some of the severe draw downs in some of our stocks by doubling up and getting much more aggressive buying taking advantage of the extreme weakness in certain of our companies. and the stand out stock was arena group which is a digital media company that went up 6X during the 2 months.

We are extremely positive on our portfolio. We have done extensive work in our names and feel very confident on improving fundamentals. And all of them and increasing profits and margins and most of two feel that may is off to a very strong start. And we are now solemnly positive for the yeand have the momentum to really have strong? Monster head. We have exited from Ino data which was our big big win. High profile a I name that we loaded up on between five and six and we exited between forty and seventy we have loaded the boat in another A.I company which we think could be even bigger than innodata

our portfolio is very diversified with 40 for names across all different industries and several different market cap categories.

We have launched AUS fund for friends and family and are in the process of raising 50 million dollars. We also have a institutional offshore fund which we are initiating. A roadshow into the middle east dubai and Saudi Arabia

Due to the erratic proposals coming out of the White House in February, specifically, tariffs and cost cuts in the federal government, we moved to a defensive portfolio position. Approximately 50% of the Portfolio is invested in a basket of preferred shares, high yield securities as well as a sizable position in housing stocks. We believe with rates down 100 basis points, and at least another 100 bps to go, this should stimulate the pent-up demand for housing.

One of our notable successes for this year was a \$500 million revenue restaurant chain in which the stock dropped from \$38 to below \$1. We identified that the company was implementing changes to enhance its same store sales and margins with exciting new menu additions. As a result, the stock doubled in two months! Our research team also identified a “Trump Economy” company in which the stock is trading at pennies on the dollar, and we believe has significant 10x upside potential.

We still have strong faith in the US economy as the AI spend is not abating, and we are currently in a “war economy” with China. The Administration is very pro business, and we believe that interest rates still have further to go down, which should be very good for 2nd and 3rd tier stocks. We also believe that with the recent shake-up in the Mag-7, and the decimation of Tesla stock, investors are rethinking their strategies and starting to focus on value value value! We have been averaging over 61% per year for the past seven years without value participating, and now **we believe that value will participate as the Mag-7 game is over.**

We also believe that come April, tariffs will not be such a big deal in that most countries will realize they simply need to remove the severe tariffs from US products. Very few US products are purchased overseas anyway, with the exception of agriculture and energy. The tariff situation should be easily resolved with Canada and Mexico, if they simply enhance border security to stem the fentanyl flow across our borders which is killing our citizens.

The Portfolio is very diversified with 50% in defensive positions and the balance in 40 undervalued securities, with improving fundamentals and significant upside potential. Many of them are poised to generate significant returns in the next few years. We continue to believe the economy is in good shape, inflation and interest rates are coming down and things are beginning to click on all cylinders, despite multiple recent hiccups. This will be optimal for the Portfolio, in particular, our Small Cap Value positions.

Our research team continues to identify many value and micro-cap stocks that have been “shorted to death” by algorithm and derivative trading programs. We believe there is much upside in these positions as the “springs” are released through catalysts that we identify and our management friendly activism to unlock shareholder value.

We recently launched our U.S. fund as well as a managed account platform for investors. If you have any questions, feel free to call me at 917-405-4591 or by email at bgalloway@gallowaycap.com.

Very truly yours,

Bruce Galloway
Chief Investment Officer