January 2019

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FROSTGATE

Dear Investors,

Thank you for trusting FrostGate Capital to manage your assets during such strange times. Our focus this month, was to reallocate the portfolio for 2019 for a market that is indicating we are reaching the end of the business cycle.

Key Economic news:
January started the year off extremely bullish where the market seemingly rebounded from the very bearish December. The market usually takes the elevator down and the stairs up, however the rebound has been overly bullish. There is a lot of data to support this is phenomenon like a dead cat bounce or bear trap. Historically we should see another significant drop in the market, but time will tell. As fiscal stimulus starts to dissipate, we can expect GDP growth to lose some momentum. Coupled with the Government shutdown, this could result in upwards of half a percent reduction in GDP for 2019 or could result in a repeat of the 2014-2015 market with certain sectors being affected more than others, such as oil and gas. There may be a few bright sides to this as government spending is projected to be up as well as corporate earnings which could help push us back into a momentum state for GDP growth.

China Roulette:
We all know what Russian Roulette is, but have you tried Chinese Roulette. I admit it doesn't roll off the tongue, but the outcome may be the same nonetheless. The most potent risk to the market right now is political, both internally with the Government shutdown and externally with tariffs focused mainly on China. The immense volatility we've seen in the last few months surrounding companies with exposure to China has been driven not by numbers, but by emotion with "news" stories with President Trump leading the charge via Twitter. Sectors such as Technology, Semiconductor Manufacturing, and Materials have been hit the hardest going into the month, but by the end of January, the market for these sectors bounced back. The temporary trade resolution has seemed to lift spirits and the market immensely this month. Trump being the president makes weighing risk extremely difficult due to his unpredictability on certain topics, along with his flexibility on others. We expect he will remain "tough" on China and see the tariffs through, or negotiate less tariffs on products exported to China. We are all waiting in anticipation what will happen.

New to the Portfolio for 2019:

January was an outlier in up months and caused us to use caution in the second half of the month. However we were able to pick up some great companies at very attractive prices.

Carbon Black, an innovative cyber security company focused on cloud and preventative defense with the ability to predict attacks using AI, Carbon Black mainly focuses on corporate security and can build custom solutions for cloud based platforms.

Fire Eye, another cyber security company focused on the end user market with similar tech and approach to security.

Solaris, a industrial rental company primarily used by oil and gas companies, planning to take profits soon.

Bristol Myers, They have been on our radar for a while and the news of the Celgene acquisition was the Price drop and strategic move by management to initiate the investment showing us they are willing to invest in themselves.

Chemorus, Is a innovative chemical company with steady growth and a very healthy balance sheet.

Chimerex, is a pharmaceutical company with a attractive of pipeline focused on stem cell and antiviral technology.

Portfolio Performance

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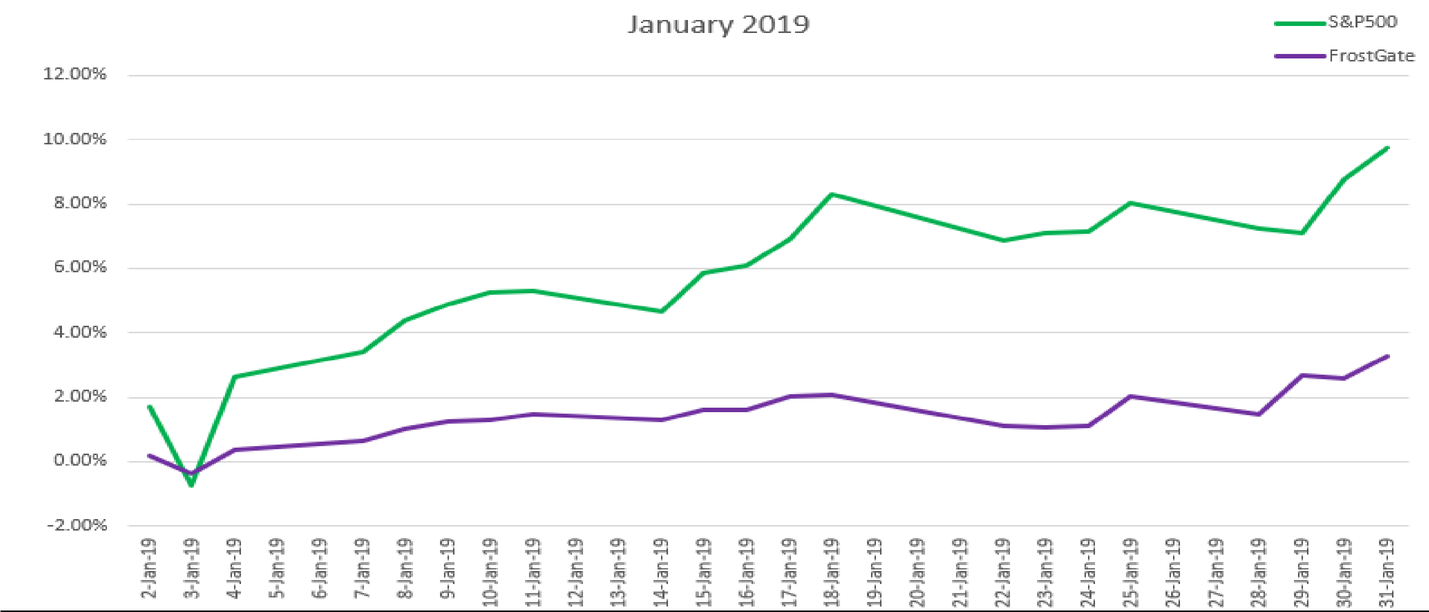
FrostGate Capital:

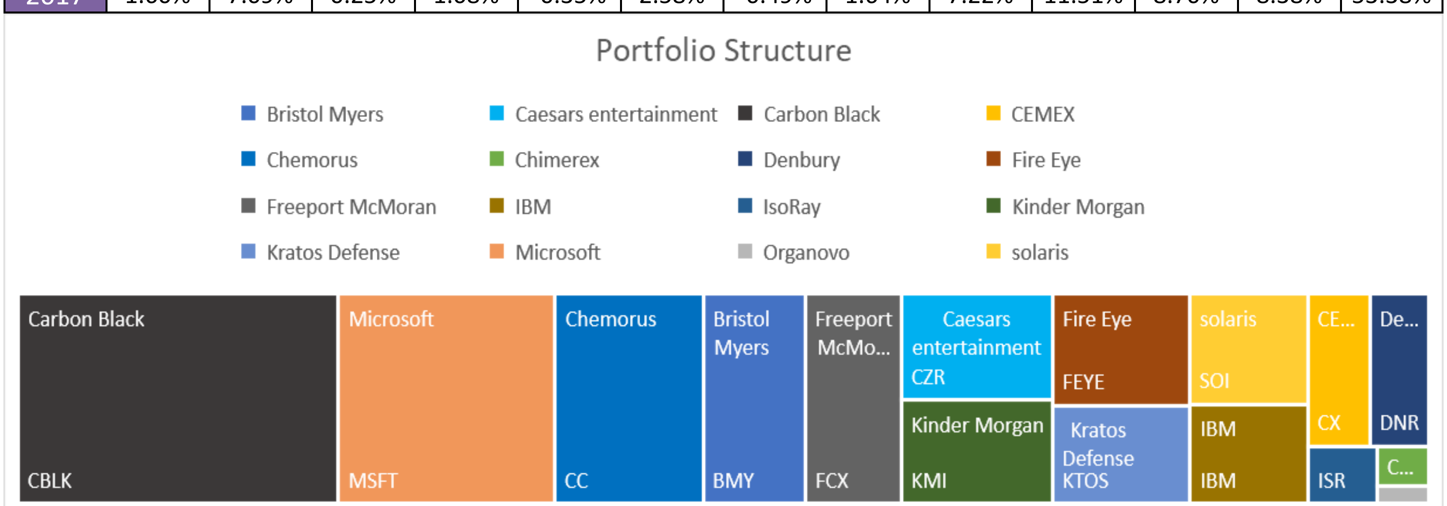
Starting off 2019 with explosive growth has been worrisome because the S&P 500 was up 9.7% in the month of January during a Government shut down, which was remarkable. This market seems similar to the 1987 market when the market was up 12% in January and then preceded to lose 10% for the next 11 months. FrostGate has remained conservative and achieved a 3.27% return while being hedged. This always hurts being beat by the S&P 500, but our hope is that our conservancy this month will be worth it to position ourselves for it in the long term, and remain aligned with our goals of long term capital appreciation.

The Hedge Fund Index:

For January, the hedge Fund index was up 4% with 500+ funds reporting.



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2019	3.27%												
2018	-7.65%	6.71%	-7.06%	9.09%	11.33%	4.30%	8.47%	-7.18%	5.14%	-1.92%	2.19%	-1.37%	14.30%
2017	1.60%	7.09%	0.25%	1.08%	-0.35%	2.58%	-0.49%	1.64%	7.22%	11.51%	8.70%	8.38%	53.38%



Things to watch going forward.

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Will history repeat itself?

2019 is being compared to almost every volatile period in history, 1987, 2000, 2004, 1910, and even 2015. This happens every time we have a significant down turn. People want to use the past as an example of the future. The problem is that generally things do seem to follow a pattern. However, the human mind is incredibly good at "finding" patterns even if they don't exist. We will keep careful watch to see what comes of 2019.

Here is a Table and a graph that shows some historical facts that we found interesting.

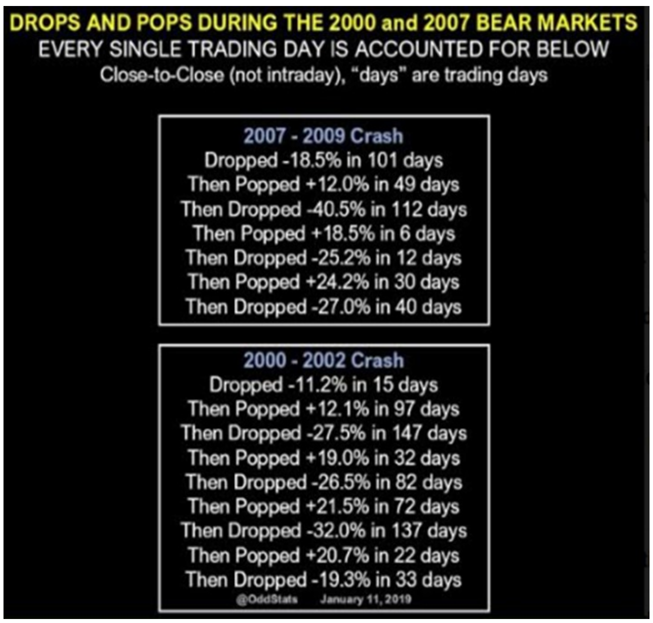
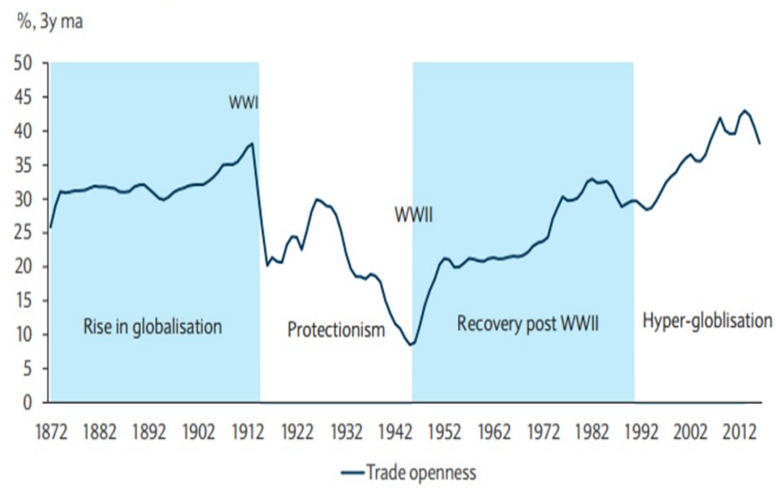


FIGURE 1

The acceleration in trade openness after WWII has stalled and recent US trade isolationism could worsen that trend further



Note: Exports plus imports in percentage of GDP for 17 economies, PPP weights. A version of this figure first appeared in *The future of globalization, Equity Gilt Study 2017*, March 2, 2017. Source: Jordà, Òscar, Moritz Schularick, and Alan M. Taylor, 2017, "Macrofinancial History and the New Business Cycle Facts." in NBER Macroeconomics Annual 2016. vol. 31. edited by M. Eichenbaum and I. A. Parker. Chicago: University of Chicago Press

House Keeping:

Your tax forms, K1 partnership information will be arriving to you by the end of February.
Thank you for investing in FrostGate, we need your help to keep growing, If you like what we are doing for you feel free to tell your friends, family, and business associates, we need the word to get out, as marketing and advertising is very limited most of our business is word of mouth. Thank you in advance for keeping the lights on.

From everyone at FrostGate thank you,

Robin Middlebrook,

CIO, FrostGate

Account Information

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