

**March 2019**

9412 Bradner Dr

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Dear Investors,

Thank you for trusting FrostGate Capital to manage your assets.

### **The word on the street**

The markets are buzzing, and spring is in the air. However, the buzz is about the unholyest of unholy words.... Recession. The late/end of the business cycle can be a difficult one to navigate, and you may not even know that's what you're doing until its clearly too late. By definition, a recession is two or more quarters of negative GDP growth. The average recession lasts for 9 months with an average loss of 2.7% now we have been in a bull for 10 years, over double the average amount of time between recessions. Just some interesting facts you should be aware of.

### **Brexit update:**

Trade talks with China will take place this upcoming month, both parties seem to be optimistic to coming to an agreement. Brexit proposal was voted down again as France is the main driver against the purposed deal. The elevatable is being delayed further as the next withdrawal date is June 30th over 3 years after the original Brexit vote.

### **What's happening with Boeing:**

As I'm sure you're all aware, Boeing has had two of their Newest "737 Max" Airplanes suffer catastrophic crashes with no survivors, a horrible tragedy that no one wants to see. The cause of these accidents are not fully understood, but from what Boeing has sited a broken sensor caused the software to trigger anti-stall witch forced the plane into a nose dive on Ethiopian airlines which could-n't be corrected before hitting the ground at 575MPH. I suspect there is more bad news to come as mending this issue will not only cost time and money, it has opened them up to political pressure.

### **Correlation with the Chines markets:**

For the most part markets around the world follow closely what the US market performance. So what we are looking into is the affect the Chines market would have on the US economy if they were to suffer a recession. What we have discovered, is the two underlying economies are very tightly knit and the effect on US businesses would be considerable depending on the degree of devastation. If they had a total collapse we would be crippled, as the price of doing business would go up double digit percent for most retailers. The world economy would suffer as they are the second largest consumer of goods and worlds largest exporter. You can imagine the damage they could do to the world if they were to fall into a recession. This is the exact point we need to make. Chines companies have manipulated the system for so long, they've built up a sizable debt, the type of debt that makes the US housing crisis look like a student loan for a community college.

# Portfolio Performance

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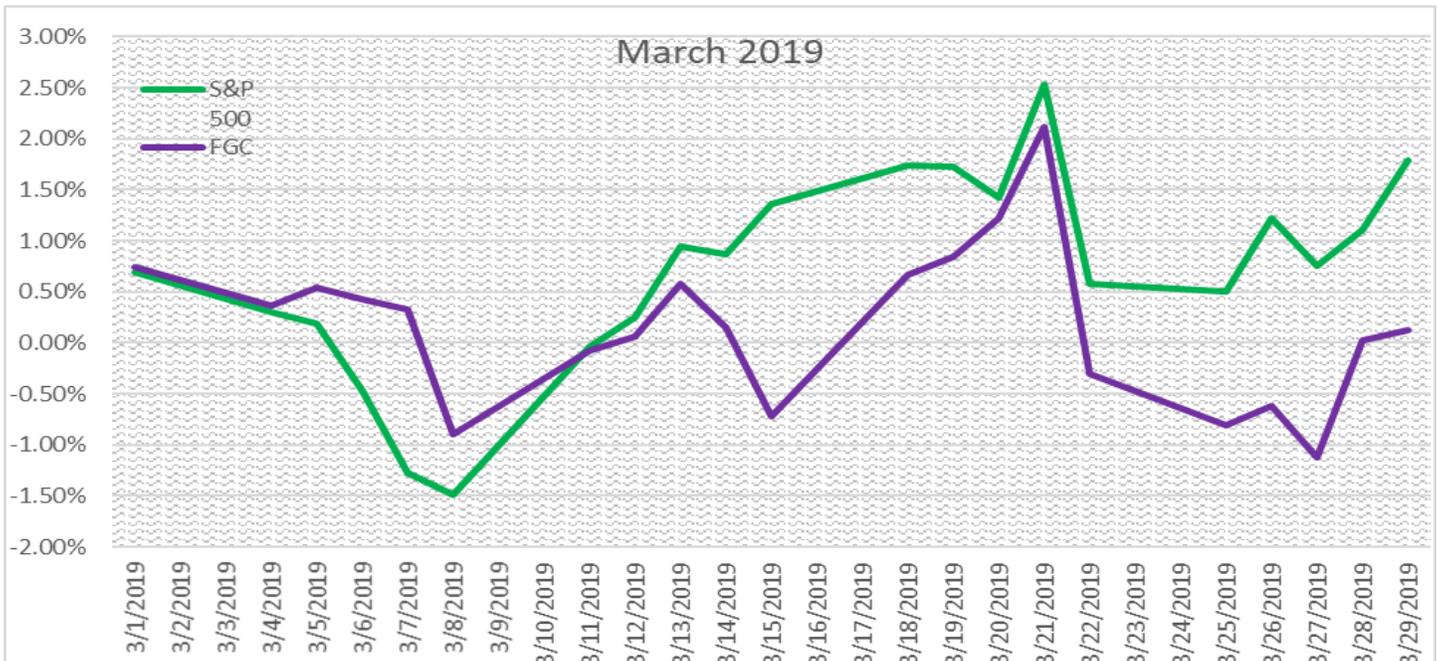


## Portfolio Performance:

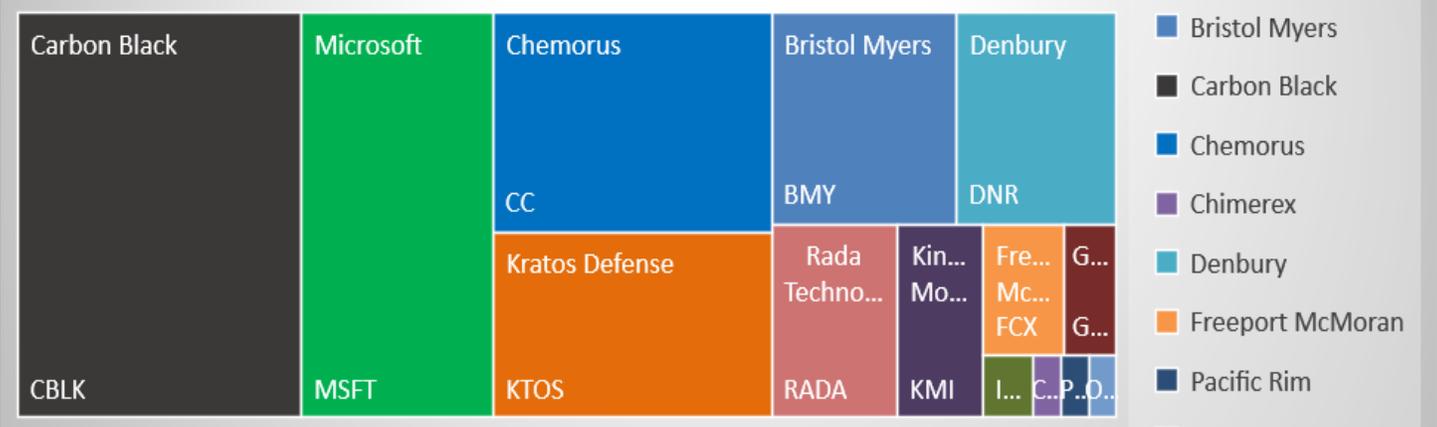
What a wild, month, from being up 2% to down 1% to come back with 4 days to spare and finish positive was not the ride we were looking for. We were over exposed to bad press during an already down day and Carbon Black took out our profits. This is reminiscent of what happened to us last year with AMD as we rode that roller coaster. However even though we were extremely profitable on that trade we still learned from that situation how to manage the volatility and reduce risk.

## Risk Management:

We restructured a few of our positions to reduce risk in Tech and Oil/gas industries, closing our position in Fire Eye and EOG, Using those funds to increase our position in Chemours, and create a position in Uranium Corp a company we held last year and took profits from, we are seeing a similar set up as the chart is looking attractive, as a small cap stock they have higher grade assets.



## Portfolio Structure



# Quarterly Review

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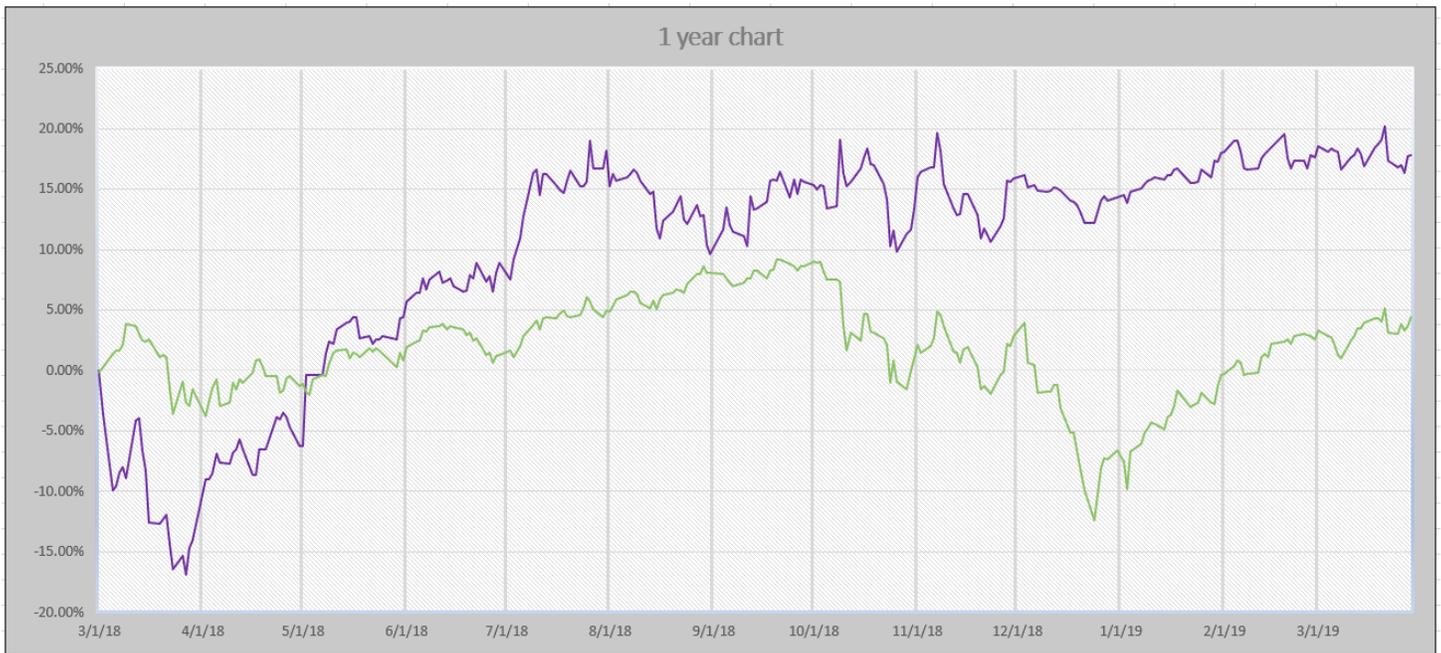


## One year chart:

The one year chart Vs. the S&P500 shows the power of limiting losses can have, as we maintain over a 10 percentage point advantage over the S&P 500 due to the power of hedging in a volatile environment.

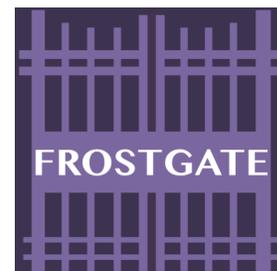
## AMD Volatility:

You can see at the beginning of march last year we had extreme volatility due to our Position in AMD, a visual to aid the brief mention previously.



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2019	3.27%	-0.28%	0.12%										
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%

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