

**August 2019**

**9412 Bradner Dr**

**Austin, TX 78478**

**860-605-5982**



Dear Investors,

Thank you for trusting FrostGate Capital to manage your assets.

August has been another volatile and politically challenging month. Trade war is back on in full swing, the yield curve went negative and the world is on fire, literally.

### **The yield curve**

The yield curve has inverted, meaning the (long-term) ten-year bond and the (short-term) two-year bond yields have crossed paths, which means the short-term yield is higher than the long term. The major reason for the inversion is the increase of demand for the two-year bond rather than the ten-year. Inversions also happen when the institutional investors or other countries are betting with a lot of price volatility in the short term and are willing to pay a premium for the reduced short term risk. Last time an inversion happened was in 2007 right before the 2008 recession. This time could create another recession due to short term political risk or war, but the negative yield curve could be predictive of nothing.

### **Trade war**

During the Fed speech at Jackson Hole on Friday 8/23, the president announced we would do what is necessary to maintain growth in China and levy a tariff on \$75 billion in goods. President Trump also announced in response that he would be raising the import tax on \$300 billion worth of Chinese goods from 10% to 15% starting Sept 1<sup>st</sup>. The trade war with China is certainly not over.

### **Amazon fires**

The Amazon is on fire. The Brazilian government has reduced regulation on the deforestation of the rain forest. A lot of this deforestation requires controlled burns which is a very good way to rejuvenate overly farmed lands. It seems that some of these controlled burns have gotten out of control. In 2019, there have been 74,000 burns (controlled and wild). Now 7,200 square miles of rainforest is on fire scattered across the Amazon. The CO2 levels have reached 415 parts per million according to the Hawaii's Mauna Loa observatory, which is the highest in the last 800,000 years. As the world burns, the movement towards greener energy and the reductions of CO2 emissions is completely undone by natural fires and deforestation. Despite the lack of press this is mostly controlled burns on previously cleared lands. Because of the fires production for coffee, chocolate and rubber could be severely decreased. Not only are resources in danger, but the potential for blow back from other governments like the UK which has publicly stated to boycott Brazilian products because of the deforestation problem.

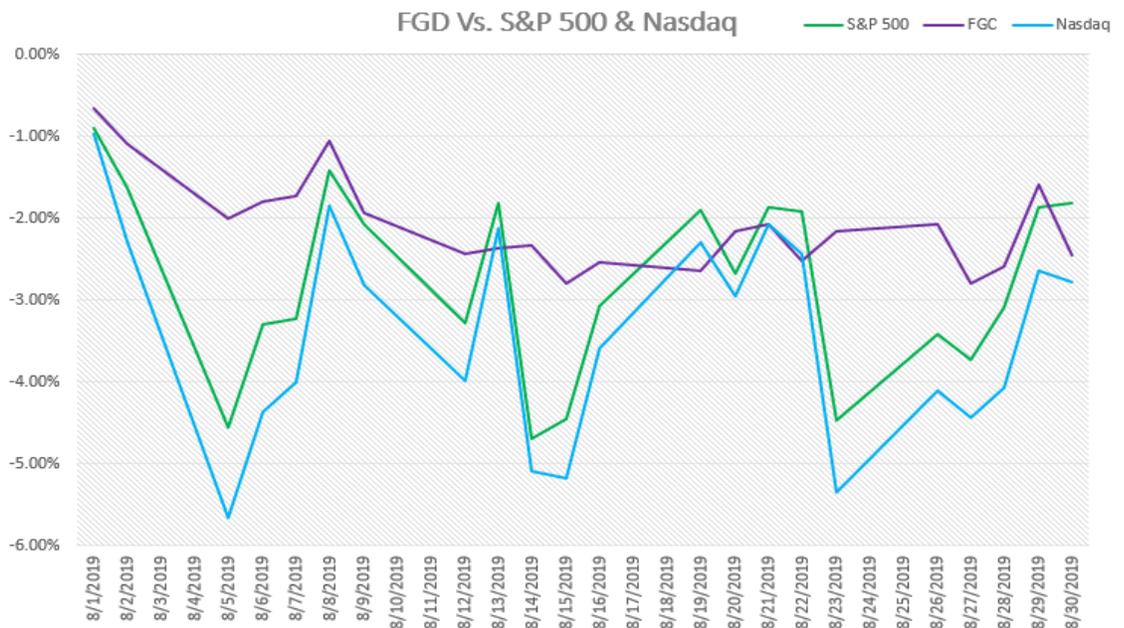
# Portfolio Performance

9412 Bradner Dr  
 Austin, TX 78478  
 860-605-5982

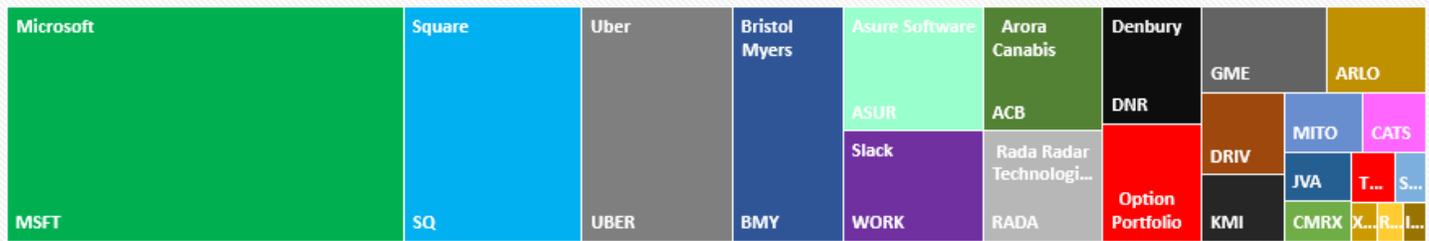


**FrostGate Capital: (-2.46)** Monthly moves, we sold our largest positions in CBLK at 21, KTOS at 24 and SQ at 82. We bought SQ at 65 after earnings, and subsequently distributed our Proceeds into a more all weather type portfolio with some deep value and Non-S&P500 correlated companies. We added ASUR, ACB, MITO, GME, CATS, TTM and more BMY and UBER. This type of market is very frustrating when you have moves up and down, it eats into the derivative portion with time decay playing a significant roll. We

Usually don't show our short term option portfolio (highlighted red below in the first tree map) = (the second tree map) however with this months dramatic ups and downs most options have been rolled over to extend their expiration dates. We also added Nasdaq to the Comparison chart because we are "Tech Heavy"



- Arora Canabis
- Chimerix Inc
- JAVA
- RYAM
- Arlo Technologies
- Denbury
- Kinder Morgan
- Sellas Life Sciences
- Asure Software
- DRIV
- Stealth Bio
- Square
- Bristol Myers
- Game Stop
- Microsoft
- Tata Motors
- Catalysist
- IsoRay
- Rada Radar Technologies
- Uber



### Option Portfolio

- ACB DEC2019 9 C
- AMAT JAN2020 20 P
- AWK SEP2019 110 P
- GE JAN2020 1 P
- KMI DEC2019 17 P
- LULU JAN2021 65 P
- MO DEC2019 60 C
- QQQ AUG2019 175 P
- QQQ AUG2019 188.5 C
- QQQ DEC2019 145 P
- QQQ SEP2019 175 P
- SMG DEC2019 80 P
- SPY DEC2019 250 P
- UBER SEP2019 34.5 C
- ULTA MAR2020 350 C
- WFC JUN2020 30 P
- WORK OCT2019 20 P
- WORK OCT2019 50 C
- WORK SEP2019 35 C
- YETI FEB2020 20 P



# Things to watch going forward.

9412 Bradner Dr

Austin, TX 78478

860-605-5982



## Uber

Is Uber the Amazon of transportation? Investing in the future is the name of the game and there are several industries, which are ripe for an industrial revolution. Transportation is one of them. Anonymous transportation and ride sharing go hand in hand with electric vehicles. Uber has their hands in many different sectors of transportation. Uber Freight is a prime example of revolutionizing the trucking industry allowing more competition in the market, and access to freight shipping to more people than just large corporations. Have you ever tried to ship a heavy and awkward item across the country? Well usually it gets delayed in New Jersey for various reasons. Uber Eats is another great service delivering food you would normally not be able to get delivered, delivered. Not only does Uber help you get delicious food, it helps drive traffic to the restaurants even if some of the delivery costs are absorbed. Their investments in autonomous vehicles is growing nationally starting to create smart cities. Currently in some smart cities, you can ride in an autonomous vehicle with a driver behind the wheel as a safe guard in cities like Ann Arbor. The majority of the risk surrounding Uber is their ability to become profitable. The cash flow and market share they poses alone shows us profitability by 2021 if they sell off a division such as scooters or their freight business this could be sooner. If they cut costs by eliminating administrative employees and marketing budget, profitability is around the corner. But they operate a lot like Amazon, investing a lot of money back into the company to drive growth and build a brand. We see a lot of positives going forward, if you had the opportunity to by Tesla or Netflix at 30 dollars a share you would jump on it. The losses the company faced (5 Billion dollars) were largely caused by the 3.9 Billion in one time stock-based compensation. Discounting the One time expenses there losses are minimal compared to expected losses. I'm looking forward to seeing what they can do for us in the next two-three years.

## Uber Posts Colossal Q2 2019 Losses

Uber's quarterly gross bookings, net revenue and net profit/loss since Q1 2017



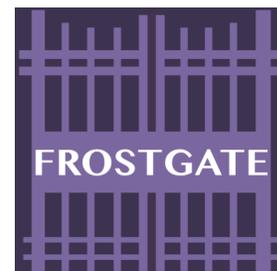
\* Q1 2018 profit includes a one-time gain of \$2.9 billion from selling its Southeast Asia business to Grab and merging its Russian operations with Yandex



Sources: Uber, Bloomberg



## Disclaimer



By accepting this material, you acknowledge, understand and accept the following: This material has been prepared by FrostGate, LLC (“FrostGate”). This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not be regarded as “investment advice” or as a “recommendation” regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) FrostGate is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to FrostGate that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. FrostGate does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. FrostGate shall not have any liability for any damages of any kind whatsoever relating to this material. No part of these documents may be reproduced in any manner, in whole or in part, without the written permission of FrostGate except for your internal use. This material is being provided to you at no cost and any fees paid by you to FrostGate are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of FrostGate and (ii) the terms contained in any applicable investment management agreement or similar contract between you and FrostGate.

The Information contained within this news letter is confidential and should not be shared freely or published.