

September 2019

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Dear Investors,

Thank you for trusting FrostGate Capital to manage your assets.

The month of September has been another volatile and dangerous month for the market. Although I feel like I've said that same statement over and over this year, no one really knows what's going to happen. We finished out the third quarter with mixed opinions going forward, but we can take an educated guess. Now if you are a person who believes history repeats itself, then we're in the same boat. History is a great tool to learn from. The best way to avoid making mistakes in the future is to learn from experiences from the past like leaving a stick of deodorant in car on a hot summer's day. But many people seem to forget the most painful lessons.

2019 has similar unfortunate aspects of 2007 like the inverted yield curve, the repo market going dark, and the decline in housing prices in major cities. Although now we have more regulation to limit mortgage lending abuse, Wallstreet has still managed to grow their fee's though new "innovative" products; "innovative" really meaning complex products deriving from chunks of toxic assets. For example, student loans are now being repackaged and sold as SMB Private Education loans ([SLABS](#)). There is data that suggests that over 10% of student loans are in default, yet these bonds aren't reflecting that. I don't believe for a second the greed of Wallstreet would simply choose prudent investments with quality loans. I believe banks are pulling the same stunts with student loans as they did with mortgages back in 2007. I also believe they are currently trying to do it with used car notes as well.

One bank with the most used auto loan and student debt expose is unsurprisingly Wells Fargo. I believe Wells Fargo is Warren Buffet's rare miss step since the bank has had massive amounts of fraud and deception. I fully expect Wells Fargo to require a bail-out again if there is another global financial crisis. When you look at commercial real estate, the numbers are scary. The default rates have been growing by 20% YOY for the last 3 years creating a slowdown in commercial development. Financial numbers are not easy to find especially when banks like Wells Fargo release annual reports that are 288 pages with convoluted data. In the Wells Fargo report, there are many instances where "other" is listed totaling around 5% of their total exposure with little to no explanation other than "trading activities, which totals to be about \$450 million dollars in trading losses. On top of that, they only had half of their net gains as they did from the previous year from trading with a loss of \$283 million dollars as well. Their total deposits to their wealth management branch also decreased by 9% YOY, which is a sign that large investors are limiting risk. The Wells Fargo wealth management branch is managing just under \$2 billion dollars AUM for investments for client accounts. We are currently working on a full report for Wells Fargo which will be available at the end of OCT 2019

Portfolio Performance

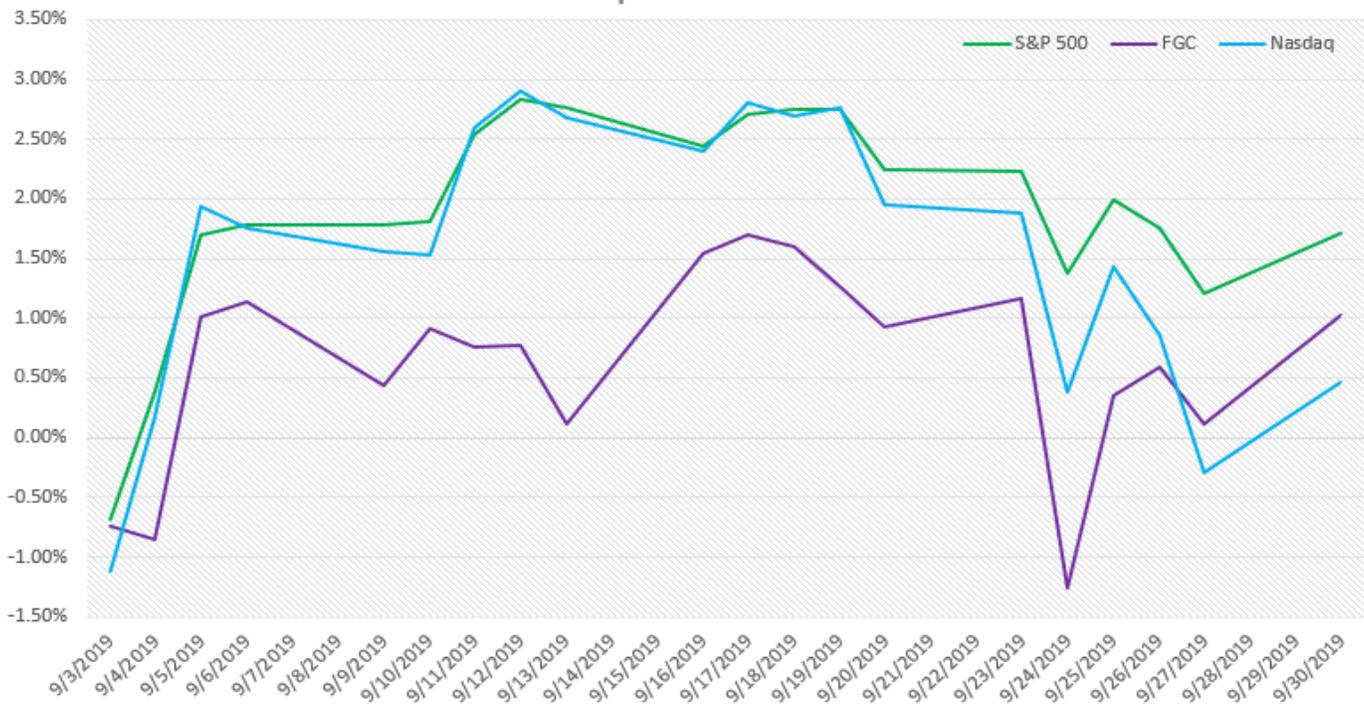
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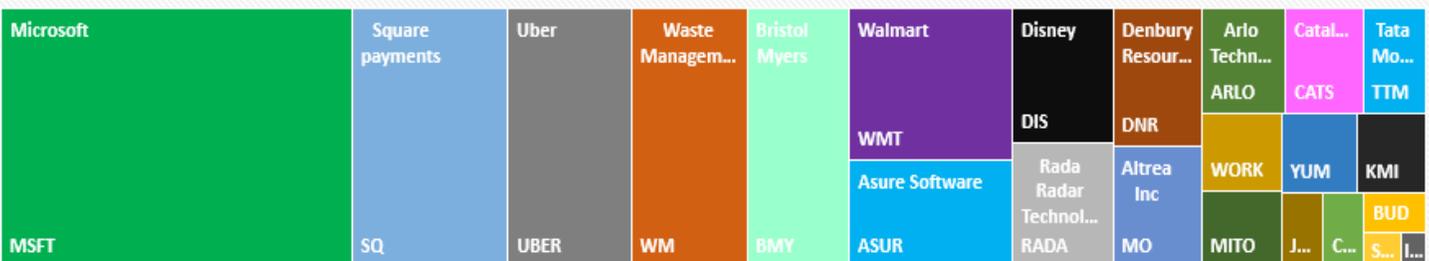
FrostGate Capital: (1.02%)

For the month of September, we ended the month up 1% the S&P 500 finished up 1.7% and the Nasdaq finished up .4% we are tech heavy so this was a good performance. Two of our larger holdings hindered our performance this month UBER and SQ, long term we are very bullish, but short term we have maintained our hedges and have begun to sell calls. We currently have a large option portfolio hedging our long portfolio to limit risk going forward.

September 2019



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|----------------------|-----------------|-------------------|-------------------|-------------------------|
| Arlo Technologies | Asure Software | Bristol Myers | Anhiser Bush Corp | Catalysist |
| Chimerix Inc | Disney | Denbury Resources | IsoRay | JAVA |
| Kinder Morgan | Stealth Biotech | Altreia Inc | Microsoft | Rada Radar Technologies |
| Sellas Life Sciences | Square payments | Tata Motors | Uber | Waste Management |



Things to watch going forward.

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The tech sector has taken the blunt of the downturn in September. Big tech companies are leading the downturn including high-profile companies such as UBER and Square. This year has not been kind to the majority of IPO's, many of them tech related. I believe the problem stems from a lot of tech companies being over-valued. With existential risk including political scrutiny going into the 2020 election cycle, I believe the social networking companies, including Google have enough power over search results that could be of risk for even more scrutiny. At the same time, Elizabeth Warren has already come out and state that she wants to breakup Facebook. Even though I support privacy myself, there has been more scrutiny on privacy and companies collecting private data. I believe the market will weed out the invasive and deceptive privacy practices over time. With that said, I worry about the reach of the government if they start getting involved. Nonetheless if the government goes after Facebook, we can expect them to fight tooth and nail. Either way this could disturb the social tech industry. However, there are still plenty of innovative and under reported tech companies out there

Frostgate Vs. Market



If you want to keep informed throughout the month, please look to our blog and LinkedIn page. We have been working hard to create new content with a mix of current events and interesting topics to help bring more value to you. We post several articles a week and the easiest way to see those is following our [LinkedIn page](#).

Some of our Blog Posts:

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[Gold Markets](#)

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