



03/20/2021: Weekly Portfolio Review

Operators,

Happy Saturday! I hope everyone is enjoying their weekend! We had some news hit a few of our portfolio companies this week. Additionally, a few charts create beautiful second-leg longs (for older Collective members) or initial starter positions (for our newer family members). We also made a few trades this week, which we'll cover below.

At the end of the week, the MO portfolio is down 2.82% for the month and up 30.37% YTD. In comparison, the S&P 500 is +2.28% this month and +3.78% YTD. Please note that you should judge our performance on annual figures, not monthly or quarterly data.

Here are the stocks/companies we're featuring this week:

- Ammo, Inc. (POWW)
- Grayscale Bitcoin Trust (GBTC)
- Centrus Energy (LEU)
- XP, Inc. (XP)
- Manolete Partners (MANO)

Portfolio Moves This Week

We made four moves in the portfolio this past week:

1. Bought Bioceres equity (BIOX)
2. Sold starter position in C3.AI (AI)
 - a. Note: Shoutout to Delon in the Slack for highlighting the **massive** insider sales this week
3. Bought Facebook (FB) January 2022 \$395 Calls for 100bps Risk
4. Shorted Copper Futures (HG_F!)

Alright, onto our companies!

Ammo, Inc. (POWW): Company News & Bullish Chart Set-up

POWW released two PR announcements the past two weeks, both bullish. First, the company entered into an [exclusive distribution agreement with BioAmmo](#), a Spanish-based company that makes biodegradable shotgun shells.

Who said POWW wasn't an ESG investment???

Wagenhals and his team tested the bullets -- they work. Moreover, it helps diversify revenues as the company didn't have a shotgun shell-specific product on the market. POWW will use its distribution channels to push the products to retail and wholesale customers. As of now, POWW is the only US company that has rights to sell *BioAmmo* in the states.

Earlier this week, the company also acquired a new high-precision ammunition loading line. This line meets strict US military and civilian precision rifle shooters' specifications. POWW will put the machine in its Manitowoc, WI plant, to produce its patented armor-piercing cartridges.

The good news also includes a bullish pattern on the daily price chart (see below):

rockvuecap published on TradingView.com, March 20, 2021 17:55:45 EDT
 BATS:POWW, 1D 6.31 ▲ +0.57 (+9.93%) O:5.90 H:6.35 L:5.75 C:6.31



TradingView

POWW is forming a textbook bullish wedge breakout pattern. There are strong psychological reasons why this setup works. First, the stock breaks below the 50MA, which is a bearish move.

But the breakdown occurs on *lower than average volume*, which was the case with POWW. Breaking below the 50MA removes the “paper hands” from the stock, leaving us “diamond hand” holders to accumulate shares. A decisive breakout above the wedge line and the 50MA could send this stock back to \$10/share.

A clean breakout offers new *Collective* members a great Reward/Risk buy point to get a starter position. It's also an excellent spot for existing *Collective* members to add to their position.

If we get another \$10/share move, look for our resident options wizards Kulok to sell the \$15 calls.

Those that haven't read our initial bull thesis can do so [here](#).

Grayscale Bitcoin Trust (GBTC): Breaking Out of Small Wedge

GBTC is the most bond-like instrument we own in the portfolio. We've taken profits (i.e., clipped our coupons) three times since we bought in December 2020. The stock recently broke out of a slight bull wedge above the 50MA (see below):

rockvuecap published on TradingView.com, March 20, 2021 18:02:15 EDT
 OTC_DLY:GBTC, 1D 52.9550 ▲ +2.1450 (+4.22%) O:52.0000 H:53.2600 L:51.3600 C:52.9550



We'll see how BTC holds over the weekend, but if we get above \$60K by Monday's open, look for higher prices (and another chance to take profits). The stock is trading at the high-end of its Bollinger Bands, and there's a chance it trades back to its 50MA, creating a symmetrical triangle pattern.

Centrus Energy (LEU): Potential Breakout Add For New Collective Members

Speaking of great spots to add starter positions for new *Collective* members, take LEU. The stock weakly broke out of a three-month inverse H&S continuation pattern (see below):

rockvuecap published on TradingView.com, March 20, 2021 18:06:39 EDT
 BATS:LEU, 1D 27.76 ▲ +1.27 (+4.79%) O:27.49 H:28.78 L:25.39 C:27.76



TradingView

For our new members, LEU has exposure to one of the hottest sectors in the market: **Uranium**. The company operates two main segments: Low-Enriched Uranium (LEU) and Technical Solutions.

The LEU segment sells separative work units and natural uranium for utilities that operate nuclear power plants. LEU as a product allows nuclear reactors to produce electricity (i.e., it's essential). The company trades at 1.34x EV/Sales and 8.67 EV/EBITDA.

We're looking for a solid bullish follow-through day on Monday.

XP, Inc. (XP): Relentlessly Testing Our Stops

Collective member Tony D-L crystallized our entire group's relationship with XP in his Slack channel comment yesterday (see below):



Tony D-L 1 day ago

If XP isn't going to pay a dividend, they should at least send us all a roll of Tums for what we're going through over here.



We *love* the long-term fundamental tailwinds embedded in this investment. That said, the stock's trading like it caught us kissing its significant other. Twice in as many weeks has XP *severely* tested our initial stop-loss of \$37.37 (see below):

rockvuecap published on TradingView.com, March 20, 2021 18:21:49 EDT
 BATS:XP, 1D 39.64 ▲ +1.65 (+4.34%) O:37.92 H:39.88 L:37.65 C:39.64



The stock had a strong Friday close and allowed new *Collective* members to buy on a bullish continuation Monday. This trade is a better Reward/Risk setup than the one we initially took in the MO portfolio. You get a tighter stop, which equals greater exposure for less actual risk.

Last week (03/12), the company announced that its founder Guilherme Benchimol would step-down as CEO, moving to executive chairman. Benchimol tapped Thiago Maffra, the company's CTO. I like this move because it shows the company prioritizes technology.

As the largest independent brokerage in Brazil, XP generates substantially more revenues and profits than its peers. These increased profits allow the company to invest in their technology at incrementally higher rates (i.e., widen their competitive advantage).

Click [here](#) to read our bull case.

One final note: XP's price movements correlate highly with the Nasdaq/broader tech companies. A significant sell-off in the NASDAQ could trigger our initial stop and force us out.

Manoete Partners (MANO.LSE): Massive Inverse H&S Reversal Pattern In Most Illiquid Holding

MANO is one of our favorite portfolio companies. Unfortunately, it's difficult to amass the position size we want relative to our potential upside estimate. *Collective* members swinging smaller accounts might have an easier time accumulating a more significant position.

Here's our elevator pitch on the company:

“The company sports a robust business model with significant operating leverage. Since 2016, MANO’s grown revenue from GBP 4.8M to GBP 18.68M as of 2020 (57% CAGR). They’ve expanded gross margin 2,200bps from 55% to 77% and increased EBIT margins by 1,430bps from 38% to 52.5% during that time.

MANO also has a long history of delivering exceptional returns from its insolvency claims portfolio. The company’s made 567 claim investments since 2010. In 353 (62.3%) completed cases, MANO’s delivered (on average) 187% ROI, 2.87x MoM, and a 133% IRR. They also boast a 90% success rate on purchased claims.

Today, the company’s buying more cases, expanding its in-house litigators’ network, and returning capital to shareholders. COVID will further exacerbate the need for litigation finance, offering a long runway for continued litigation investment.

The stock sits near its 2019 IPO offering at GBP 93M. If MANO executes and expands its share in total insolvency cases claimed, the company should be worth GBP 560M. That’s a 500% upside from current prices.”

You can read the full write-up [here](#).

Anyways, for those lucky enough to buy, the stock is forming a massive inverse H&S reversal pattern on the daily chart (see below):



In a perfect world, we’d like the stock to breakout above its chart pattern and the 200MA, but we’ve got our eyes on the GBX 295-300 level for breakout confirmation.