LPG Investment Management, LLC

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4th Quarter 2014 Update

Q4 2014 Return Information

LPG Cap Part (After Fees/Exp)	Russell 2000	S&P 500	LPG Cap Part Excess Return vs. Russell 2000	LPG Cap Part Excess Return vs. S&P 500
17.52%	9.73%	4.90%	7.79%	12.62%

Fund and Market Recap

4th Quarter 2014 experienced a nice recovery in the mid cap/small cap space after several months of weakness. Mid cap/small cap equities rebounded as valuations were too good to pass up given the economic backdrop. We were able to identify some attractively valued companies with strong operating performance whose business is primarily exposed to the U.S. economy. As the market performed, so did our portfolio, handily beating the Russell 2000 in spite of our large cash position (averaged just over 30% during the quarter).

Economic Performance and Outlook

Health of the U.S. economy continued to improve in the 4th quarter. Delivering for the first time in a number of years on the expectation of improving underlying economic activity as the year progressed. Similar conclusions can not be drawn on the international front. Europe continued with its dead man walking economy, Chinaôs deceleration continued and cracks expanded in other emerging and developing markets.

2015 appears to be shaping up as an extension of Q4 2014. U.S. economic activity is expected to continue to be the primary pillar of strength. We are looking to see more concrete steps from Europe to stimulate economic growth and minimize deflation risk. We are also looking for more actions out of China and other Asian countries to stimulate their economies until the desired growth levels are achieved.

Market Valuation

Overall market valuations are a bit lower than the beginning of 2014, with the Russell 2000 trading for just under 18x PE for projected YE 2015. This is not much different than the S&P 500, which is currently trading for just over 17x PE for projected YE 2015. Looking back to 1980, the Russell 2000

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forward PE is in the 2nd quintile, not as blatantly overvalued as last year when it was in the 1st.

2015 Market Expectations

Consensus market expectations for the mid cap/small cap market segment looks to be mid to high single digit positive returns. This implies returns primarily sourced from earnings growth and a constant market multiple. From our perspective, this seems reasonable given the economic backdrop and the current market valuation. That being said, there are a number of risks that could lead the market to underperform these expectations, discussed below.

Risks and Uncertainties for 2015

While this is obviously not an all-inclusive list, here are some of the items that could cause the market to underperform current expectations for 2015.

Commodity Collapse

As we are all aware, oil has finally followed the path of most other major commodities and rolled over in dramatic fashion. While it does not seem to be too much of a stretch to say this will in general help consumers, hurt producers and producing states, there may be more to come. How this will flow through in emerging markets, domestic capital spending, corporate profitability and overall economic activity remains to be seen.

Rising U.S. Interest Rates

When, not if, seems to be the conclusion. Too fast could put a crimp on the ongoing economic recovery. Too slow and some see a risk of inflation acceleration (seems pretty unlikely given the state of the world). Given the accommodative posture of most other central banks around the world, markets should be able to work through this, but one never knows for sure. When the situation was reversed, we saw international markets perform well when the U.S. Central Bank was accommodative and others were not.

Strong Dollar

Challenges for emerging market economies and multinational companies will surely arise because of this. Again, how much of a problem a stronger dollar will be remains to be seen.

Emerging Market

Commodity price decline and a rising dollar will have a direct impact in this area. With many countriesô debts denominated in dollars, they are watching these liabilities become more expensive. While that is happening, most of these countries are reliant on oil linked revenues as a primary source of income. History tells us this usually doesnột end well for some.

Non-U.S. Developed Market

As previously highlighted, most developed economies outside the U.S. are evaluating or implementing various tools to expand economic growth. How this is done and the degree of success should have a lot to do with 2015 market behaviors.

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Fund Positioning and Outlook

Integrating these views and risks into the portfolio, we are currently positioned in companies that primarily have exposure to the domestic economy. While there are certainly international opportunities, given the economic challenges, currency volatility and other risks previously discussed, we do not find valuations attractive. Some of the industries we find attractive and our related thoughts below.

Senior/Assisted Living Housing

Demographic trends in the United States are well documented. While there are a plethora of companies servicing this area, of particular interest is an emerging REIT space that is consolidating senior housing properties or providing secured financing on fully stabilized properties. With two to three times the market revenue and earnings growth profile, they trade in the lower quartile based on dividend yield and cash flow multiples.

Broadcast Television

Continuing strength in the financial performance of companies in this space will be driven by a number of factors.

1. Revenue from signal retransmission by cable and satellite providers should continue to accelerate

2. Consumer benefit from falling gas prices benefits most companies that advertise on television

3. Industry consolidation has been ongoing and there are many companies that will continue to benefit from this trend

Valuations are particularly attractive on a number of metrics: FCF multiples, Projected Dividend Yields and EPS are all substantially below the market median and in bottom quartile in many cases.

Energy Dislocation

While it is still in the early innings, it does seem clear that there will be some tremendous opportunities for investing within the broader energy space. The biggest and toughest question to answer is what does the shift in the supply curve in the various end markets look like over the longer term and how will this impact the business models/capital structures put together under very different supply/demand assumptions. This is one area of focus at presenté é stay tuned