LPG Investment Management, LLC

225 Cabrillo Hwy S
Suite 200D
Half Moon Bay, CA 94019
415.710.6310

50 California Street
Suite 1500
San Francisco, CA 94111
www.lpgim.com
info@lpgim.com

2nd Quarter 2015 Update

Fund and Market Recap

North American Financial market performance in Q2 2015 reflected the marketôs struggle to integrate a modestly positive corporate earnings environment with an increasingly challenging macroeconomic environment. Earnings were strongest outside the energy industry and in companies with limited foreign currency exposure. As we got to the end of June, the Greek issue once again dominated returns. Fortunately, it looks like we may finally get a permanent solution. Again, these factors played well into the performance of the fund, as we were able to outperform both the Russell 2000 and the S&P 500.

Q1 2015 Return Information

LPG Cap Part (Est. 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
3.50%	0.09%	-0.23%	3.41%	3.73%

Economic Performance and Outlook

Health of the U.S. economy appears to have picked up a bit from the 1st quarter, 2015 GDP estimates now pointing to right around 2% GDP growth. Most of the slowdown in the 1st quarter looks to have been one time in nature and the labor market continues to improve. This had led to the expectation that we will finally see the Fed increase interest rates. However, on the margin, global risks have increased since Q1. Two major themes playing out now are the Greece default and Chinese equity market volatility. At present, both look to have limited direct impact on the U.S economy, but we will continue to monitor that closely.

Market Valuation

Overall market valuations have not changed meaningfully since the end of March, with the Russell 2000 trading for just over 19x PE for projected YE 2015. This is not much different than the S&P 500,

225 Cabrillo Hwy S
Suite 200D
Half Moon Bay, CA 94019
415.710.6310

50 California Street
Suite 1500
San Francisco, CA 94111
www.lpgim.com
info@lpgim.com

2nd Quarter 2015 Update

which is currently trading for around 17.5x PE for projected YE 2015. Looking back to 1980 and dividing the forward PE for the Russell 2000 into quintiles, the current forward PE is still in the 2nd quintile, more reasonably valued than at the end of 2014 when it was in the 1st.

2015 Market Expectations

Consensus market expectations for the mid cap/small cap market segment in North America have also not changed meaningfully since the end of March. General consensus continues to be mid to high single digit positive returns for the year. This would broadly mean returns sourced from earnings growth while market multiples remained constant. This seems reasonable given the economic backdrop and the current market valuation. That being said, there continue to be a number of risks that could lead the market to underperform these expectations, as discussed below.

2015 Risks and Uncertainties, Updated

Looking back at our initial discussion of market risks, some have played out generally as expected (energy and multinational earnings challenges) and some are still to come. In addition, as I type, we have some new headlines making the list.

Grexit???

End it already. After 5 years, things seems to finally be getting to the final chapter. While there are certainly ramifications to Europe and the European economy, this does not look to be too dramatic to the broader global economy. The financial system has been insulated pretty well since the initial problem arose. Greece does not represent a material amount of GDP in the EU (approximately 4%) and is not a dramatic consumer of commercial goods outside the EU. Any market volatility here should be short lived.

China

Over the last several weeks, Chinese equity market volatility has picked up dramatically. Recently the government has implemented policies in the hope of stopping the declines. History tells us the market will find the correct trading level. While recent declines will inevitably cause some pain to certain people, Chinese equity markets would need to go significantly into negative territory for the year before much could be inferred about their economic performance. This will be watched very closely, because problems in China could have much greater consequences to the U.S. and global economy.

Rising U.S. Interest Rates

Recent global events could be a silver lining for interest rates over the short term. Before the most recent events in Greece, it appeared highly likely that the Fed would raise interest rates in September. There is strengthening view that the recent events in China and Greece may lead the Fed to wait.

Strong Dollar

Before the recent change in direction in Grexit

225 Cabrillo Hwy S
Suite 200D
Half Moon Bay, CA 94019
415.710.6310

50 California Street
Suite 1500
San Francisco, CA 94111
www.lpgim.com
info@lpgim.com

2nd Quarter 2015 Update

expectations, the U.S. dollar seemed to have found its new level without doing much damage to the overall economy. With it looking much more likely that Greece will be leaving the Euro, we have seen the dollar strengthen again. We saw that the last move in the dollar led to earnings declines at those companies with significant international operations. If the latest move is sustained, I would expect to see a similar impact on earnings.

Fund Positioning and Outlook

Integrating these views and risks into the portfolio, we continue to focus on companies that have strong U.S. based businesses.

Specific thoughts on our areas of focus:

Broadcast Television

Since our first quarter update, actions in this sector have continued to follow our expectations. Consolidation has continued, although on a smaller scale. Near term, this is expected to be the case because projections are so high for the advertising spend of the upcoming election cycle. We continue to see money raised by candidates that points to a shattering of the previous record set during the 2012 election cycle. We should begin to see evidence of this in company earnings later this year. Another interesting development for broadcasters is a wireless spectrum auction lining up for 2016. Various groups are estimating that broadcasters could sell a portion of their wireless spectrum for several billion dollars (as an overall industry) and not impact their business dramatically. This would represent 30-50% incremental value for some companies. While valuations have recovered from the lows of the fall of 2014, when looking out over the next 18 months, companies continue to trade at very attractive multiples.

Senior/Assisted Living Housing

Our Q1 2015 thesis has only gotten stronger. Operating results in this space continue to improve, and consolidation is ongoing. Operating performance should only improve as scale is developed, accelerating cash flow growth and distributions to shareholders. We took advantage of a sloppily executed secondary equity offering to build our position and expect it to perform well as this overhang cleans itself up.

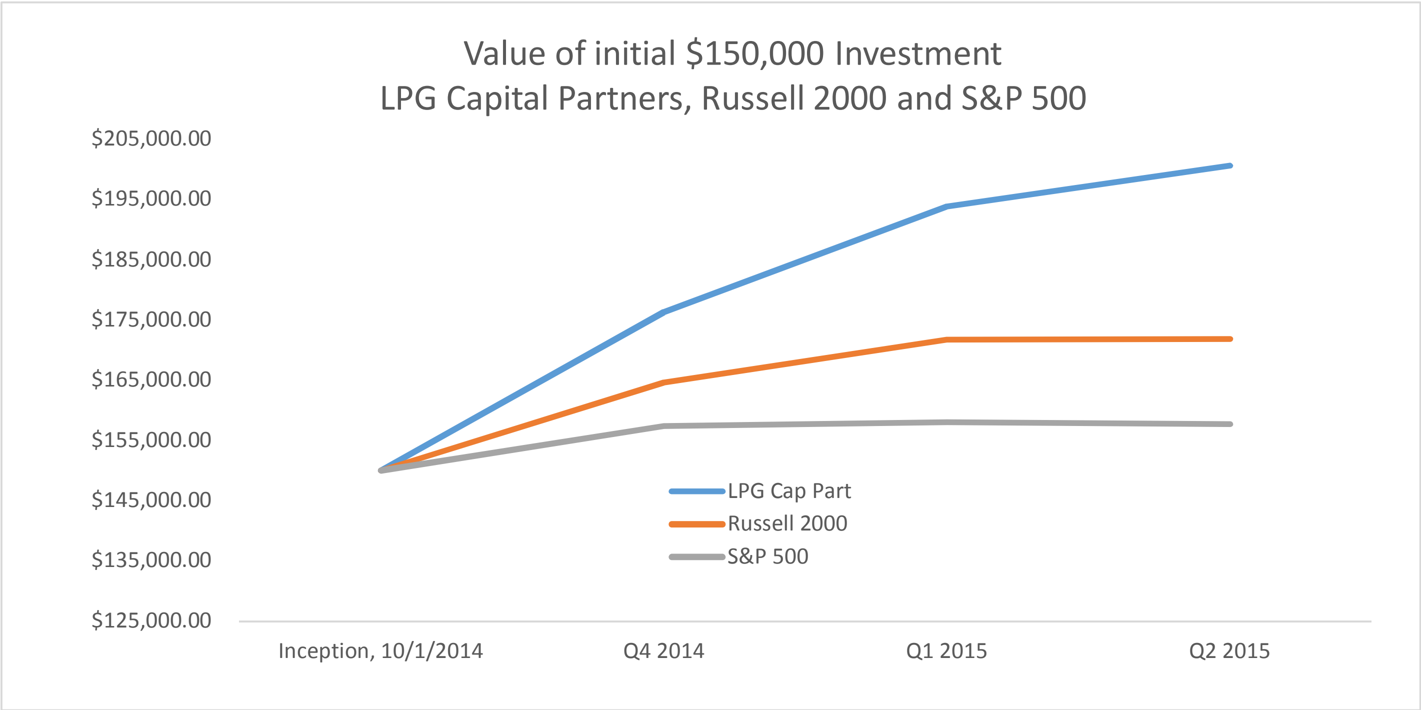
Asset Sales from European Banks

This theme performed very well for us during the second quarter. We had built a healthy position in a U.S. regional bank that was being spun out of its European parent. At the end of the quarter we sold our position because it had achieved our near term price target and also because of the heightened market risk in the financial sector due to the ongoing events in Greece and China. We expect asset sales to continue from European banks and we will monitor them closely for good business being sold at attractive values.

LPG Investment Management, LLC

225 Cabrillo Hwy S
Suite 200D
Half Moon Bay, CA 94019
415.710.6310

50 California Street
Suite 1500
San Francisco, CA 94111
www.lpgim.com
info@lpgim.com



	Returns			
	Q4 2014	Q1 2015	Q2 2015	Since Inception
LPG Cap Part	17.52%	9.95%	3.50%	29.21%
Russell 2000	9.73%	4.32%	0.09%	14.47%
S&P 500	4.90%	0.44%	-0.23%	5.36%
LPG Alpha to Indexes				
Russell 2000	7.79%	5.63%	3.41%	14.74%
S&P 500	12.62%	9.51%	3.73%	23.85%