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LPG INVESTMENT MANAGEMENT

Q3 2017 Update

Fund and Market Recap

Q3 2017 financial market performance saw the laggards of the first half of the year begin to catch up with the leaders. Small caps regained ground relative to large cap peers and technology and healthcare are not leading performance as drastically as before.

As far as style returns, index funds have recently outperformed hedge funds, as most hedge funds are conservatively positioned relative to the index funds. The Russell 2000 returned 5.94 during the 3rd quarter and the S&P 500 returned 4.48%. Hedge fund returns did not keep pace, with the index returning 2.32% for the quarter.

During the 3rd quarter our fund performed well, with the majority of our investments getting closer to their respective catalysts that should drive performance over the coming quarters. Deregulation and political spending are beginning to become reality in the broadcasting space and our automotive investment is beginning to show that they can be very profitable while managing the companyôs transition to the future of the auto industry.

While our short-term performance lags the market due to our conservative positioning, our market metrics continue to indicate a larger than usual cash position is warranted. As our investments achieve their various catalysts, we continue to believe that we will outperform our hedge fund peer group and the broader markets.

Economic Performance and Outlook

Since our last update, there have been no dramatic changes to economic performance and the expected outlook over the coming 12 months.

Up to this point, policy changes that could impact economic growth continue to be difficult to achieve. There is hope that tax reform will be the first major change that could help stimulate economic activity in the United States.

Q3 2017 Return Information

Q3 2017			Full Year 2017		
LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000	LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000
7.06%	2.32%	5.94%	5.30%	5.92%	10.92%

(1) Certain expenses are estimated for quarterly returns; annual returns are actual
(2) Hedge Fund Composite Index is the aggregate Hedge Fund Index Return as reported by Evestment statistical services in WSJ/Barron's

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Things also appear to be relatively quiet internationally, but a better than expected Brexit negotiation could be a mild positive for the U.K. and Europe.

Asia has also been relatively quiet and if economic performance remains at this level, I wouldnôt expect things to change dramatically.

Market Expectations

Market valuations at the end of September continue to be elevated. The primary change from June is that the laggards of the first half of the year began to catch up with the market leaders. While the result is that market valuations overall continue to be elevated, they are not so high that a major correction appears to be likely without a change in the economic trajectory.

However, this does mean a fair bit of good news is priced into the market and makes it vulnerable to negative news flow and outside shocks. Given that markets have already achieved high single digit return numbers for the year, performance from here will most likely be driven by achieving policy objectives like tax reform. Failure to do so could provide a buying opportunity. Longer term, high single digit, low double digit annual returns continues to be the most likely path as long as economic growth remains on its current path

Rising U.S. Interest Rates

As stated in our last quarterly update, interest rate direction is not expected to be a major driver of market returns at this point. Gradual rate increases with little impact on economic growth appears to be accepted as a given. The only area that could make this an interesting topic for the markets is the pending nomination of a new Fed chairperson. There are many candidates and if one is appointed that has a dramatically different view than chairperson Yellen, it has the potential to move the markets. We should find out who that person is in relatively short order.

Fund Positioning

Weakness at the beginning of Q3 2017 provided the opportunity to add to our automotive position. No other dramatic changes have taken place in the fund since our last update. Our investments have performed well recently, and we expect that to accelerate as they achieve performance milestones and catalysts over the next several quarters. We continue to monitor the energy space and have a few other industrial type companies on the radar, but we are waiting for attractive entry points. As previously stated, we have a healthy cash position to take advantage of future pockets of volatility as they occur.

Investment Updates

Financials

Similar to our last update, we are happy with our exposure to this industry. We continue to expect improving financial performance at our U.S. regional bank as interest rates continue their gradual climb and economic performance remains strong. Our European bankôs preferred stock position

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has performed nicely, and we see more upside performance given the economic backdrop.

Broadcasting

As the third quarter progressed, a number of factors developed within the broadcasting industry that have us excited about the next 12 months. Progress on the deregulation of the industry continues, with the FCC taking a number of steps that will help the consolidation theme come to fruition. We also saw evidence during the 2nd quarter reporting season that political ad dollars are returning to the industry in amounts that suggest 2018 will be a very strong year. In addition, a number of sell side investment banks initiated research coverage of the space or names in the space with very positive views. Given their access to management and resources dedicated to the research process, it is always a good sign when that happens. Finally, we continue to see financial performance from companies that confirms our thesis of slow but steady growth in the core business of these companies.

Automotive

In spite of the recent positive performance of our investment in this industry, valuation metrics continue to point to very attractive return opportunities. Plans to eliminate unprofitable product lines while integrating new technologies and business models into their existing operations look very achievable. With a pristine balance sheet and liquidity profile, ample runway exists. Being a leader in the profitable segments of the automotive industry should provide stability to financial performance while the transition to new technologies takes place.

Energy

As discussed in previous updates, this segment has become interesting again as commodity prices have fallen with oversupply continuing to be a problem. We are working to understand the companies that are best positioned to generate cash flow at current commodity price levels and are looking for securities that reach attractive valuation levels before we make investments.

Outlook

While overall market valuation levels have not gotten any more attractive, there are certain segments of the market that are. We continue to see opportunities that are very interesting and should generate solid outperformance over the course of the next six to twelve months as various catalysts are achieved.