



## Q1 2020 Update

### Fund and Market Recap

Putting to words what has happened over the first 3 plus months of 2020 has been quite a struggle. What we do know is that the global spread of COVID 19 turned what was a decent start to the year into a record setting bear market. After several days of the headline “Largest single day

stabilize markets and cushion the impact of the stay at home orders, we re-invested the fund in a variety of very attractive opportunities (Some of the same names we sold, but we re-purchased them down another 50%). This resulted in the substantial outperformance of our fund to the Russell 2000.

questions to answer here are how long will this be needed and at what pace will it be removed. If we can begin removing the current restrictions, we can expect one economic trajectory. If shelter in place restrictions are required longer or if they have to be re-instituted, we can expect a very different and more

#### Q1 2020 Return Information

Q1 2020			Full Year 2020		
LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000	LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000
-18.03%	-13.32%	-30.62%	-18.03%	-13.32%	-30.62%

(1) Certain expenses are estimated for quarterly returns; annual returns are actual

(2) Hedge Fund Composite Index the hedge fund index ticker HFREIHI as reported by Bloomberg

drop since the 1930’s” the end result was the second worst month and the worst quarter ever for the Russell 2000.

We were able to mitigate some, but not all of the tough markets. When it appeared that COVID 19 was going to be a problem for the United States, we decided to sell every position that we owned until there was some clarity on the impact that it would have.

When it became clear that the Federal Reserve and the government were going to do whatever it took to

As of the writing of this update, we continue to dramatically outperform the various equity indexes and now also the hedge fund community.

### Economic Performance and Outlook

This is a very difficult portion of the update to address. Covid 19 and the resulting shelter in place has clearly had a dramatic impact on a broad part of the economy. The primary

troubling economic path.

### 2020 Market Expectations

Right now the various financial markets look to be pricing in an easing of shelter in place and the various economic restrictions in the next few months. In addition, the markets look to be expecting a gradual economic recovery from current levels this summer and a more pronounced recovery this fall. If this is the outcome, we expect to see dramatic upside in the financial markets between now and the end of the year.

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### Fund Positioning

As mentioned, we liquidated our entire portfolio the second week of March. Given the rapidly changing opportunity set, we won't go into details on specific investments. Instead, we will outline a few principles that are driving our investment process right now.

### Attractive Valuations

First, we look for extremely discounted companies in good industries. Stocks and bonds of many companies are trading 60%-70% below where they were to start the year.

### Strong Industry

While most companies are going to struggle in the near term, we look for companies that will be profitable and generate significant amounts of free cash flow during the more reasonable economic times that will return when the current state of affairs has been resolved.

### Strong Liquidity Profile

Very important right now is the liquidity profile of companies and their ability to fund operations for the next 12-24 months. Given that there are a number of possible ways that the Covid 19 situation will play out, we look to make sure that companies have the ability to do this well into calendar 2021 under very draconian business assumptions.

### Outlook

Very few people will argue that there are some unbelievable investment opportunities right now. Most important is to ensure that we have the patience and ability to realize the opportunities that are currently being presented. We expect that as the Covid 19 situation resolves itself during 2020 and 2021 we will capture some of these opportunities. We hope everyone is being safe and is healthy so we can all enjoy the fruits of all our labors and sacrifices that are currently going on.