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

415.710.6310
info@lpgim.com
www.lpgim.com

Q4 2020 Update

Fund and Market Recap

With the close of 2020, we have wrapped up one of the most unique years the investment management field has experienced. . Q4 began with more selling, as covid cases saw a dramatic increase. When vaccine test results were announced in November, it was off to the races. Indexes saw dramatic gains from the lows in October, with the Russell 2000 gaining just under 30% in the quarter. Markets saw a reversal of the stay-at-home trade with investors anticipating an opening of the economy as vaccines roll out in 2021.

Our fund was positioned quite well to benefit from this shift. While all our investments had a good quarter, our position in the restructured equity of the Bakken oil producer drove our returns, with the fund increasing a bit over 50% in the quarter. This wrapped up a very good year for LPG Capital Partners, with the fund returning over 110%, putting it among the top of all funds globally.

Q4 2020 Return Information

Q4 2020			Full Year 2020		
LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000	LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000
55.89%	12.30%	29.58%	112.09%	12.45%	19.94%

(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

Economic Performance and Outlook

Economic performance continues to be challenged by the coronavirus and the required lockdowns to slow the spread. All eyes are on the current vaccine rollout and the impact this will have as we get into the spring/summer months. Expectations are that there will be a lot of pent-up demand for most things that people have had to do without.

With the Democrats winning control of all branches of government, more fiscal help for the current economic challenges looks to be on the way. However, because the margin of control is so small, it will be hard for any dramatic changes to get through congress, limiting tax increases or regulatory changes that might slow down economic growth.

Market Expectations

Loose economic policies and optimism about the solutions to the covid pandemic have driven market valuation to recent highs. In our view, if Fed policies remain very accommodative, earnings growth

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

415.710.6310
info@lpgim.com
www.lpgim.com

Q4 2020 Update

can drive financial market performance during 2021. This should lead to high single/low double digit returns over the course of the year.

As the economy recovers, we expect the stay-at-home companies to be challenged and the portions of the economy sensitive to lockdown to recover. This is expected to drive outperformance of investments in these sectors as those companies are still very attractively valued. As previously mentioned, this is all predicated on success of the vaccine, which will be watched very closely.

Fund Positioning

We continue to be positioned to benefit from the economic recovery that should follow as the United States gets through the final innings of the covid pandemic. While our investments in the energy space have performed quite well, valuations remain very attractive at current oil prices. Opportunities in the chemicals and media/telecommunications industries also continue to be interesting. Our investments continue to be focused on segments of the economy that have seen a partial recovery but stand to benefit in an outsized way as we get through the pandemic.

Investment Updates

Energy

Valuations in this space are very attractive. Oil markets continue to improve, with the price of oil recently breaking $50/bbl for the first time in a year. We expect our investments to perform quite well if these price levels hold for the bulk of 2021. As financial results are released and guidance is updated, security prices should catch up with the oil market.

Both of our investments are poised to generate a significant amount of excess cash flow over the course of the year. Our primary investment in this space is expected to use this for debt reduction, stock buybacks or dividends. Our second investment is expected to use its excess cash flow to pay down debt, which will benefit the bonds that we own.

Media

With the election behind us, media companies' improving financial results are expected to be driven by traditional advertising markets, return of content to movie theaters, and continued strength in streaming services. This is a sector that should continue to benefit from consolidation as content producers and delivery platforms look to build scale in their product offerings.

Chemicals

Our investment in this space continues to be very attractive. Valuations haven't changed dramatically, and we continue to expect improved financial performance as the economic recovery takes hold.

Outlook

If expectations for a successful vaccine are accurate, a dramatic improvement in economic performance should follow. With the election looking to be a positive for the markets as well, solid double digit returns over the next twelve months should be achievable.