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

415.710.6310
info@lpgim.com
www.lpgim.com

INVESTMENT
MANAGEMENT

Q1 2020 Update

Fund and Market Recap

Equity market returns during the first quarter of 2021 were robust, with the S&P 500 returning 6% and the Russell 2000 12.4%. Returns were driven by industries that stand to benefit from the economic reopening from the Covid restrictions that are expected to take place this summer. Leading the industry specific returns was the energy space, returning just over 30%. Near the bottom of the list was the technology sector, increasing 2.4%.

Our fund was very well positioned as we anticipated the shift from the stay-at-home investment theme to the Covid reopening taking place. Our largest investment is in the energy industry and that outperformed the broader energy market. We also benefitted from the short-covering phenomenon, watching a media investment appreciate well beyond reasonable valuation targets.

Events during the quarter reaffirmed several legs that serve as the foundation of our strategy.

1. No leverage. We do not borrow material amounts of money to implement our investing views. Using leverage leaves very little margin for error and put several hedge funds out of business during the 1st quarter.

2. Valuation Metrics. Sell investments when they reach target prices. We sold one investment after it appreciated 4x our purchase price, subsequently watching it fall well below our sale price when short covering calmed down.

Economic Performance and Outlook

Economic performance looks to have turned the corner. This has been driven by continued loose monetary policy and record spending by the federal government. Industry leaders have been specifically mentioning the strength of the economy as the primary reason they are optimistic about their business trajectory. Anecdotal evidence from most corners of the economy point to very large pent-up demand for most dimensions of activity that were foregone over the last year plus. This is all predicated on the successful vaccine rollout that is ongoing. Covid case numbers have been steadily declining since January. A reversal of this trend is the only thing that looks like it could derail the strong economy over the next 12 months.

Q1 2021 Return Information

Q1 2021			Full Year 2021		
LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000	LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000
32.62%	5.58%	12.43%	32.62%	5.58%	12.43%

(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

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

415.710.6310
info@lpgim.com
www.lpgim.com

LPG INVESTMENT MANAGEMENT

Q1 2020 Update

Market Expectations

Strong economic activity as Covid vaccines dramatically reduce infections and mortality rates should continue to support financial markets. Even with a good start to the year, we expect high single/low double digit returns from here for the remainder of 2021. As previously discussed, we expect these returns to be driven by industries that will benefit from the reopening of the economy.

Fund Positioning

Our fund position continues to be heavily weighted to industries and companies that will benefit in an outsized way to the reopening theme. While we sold our chemicals and one of our media investments for valuation reasons, we used the proceeds to increase our exposure to our other investments that are particularly attractive.

Investment Updates

Energy

Valuations in this space are very attractive. Oil markets continue to be strong, with prices stabilizing in the $60's per barrel. Cash flow generation should be very healthy if current market prices hold. With strong balance sheets, companies are expected to aggressively deploy excess cash to shareholders in a variety of ways. This should further drive share prices higher over the course of the year.

Media

When one of our investments in the industry exceeded our best-case price target during the quarter, we exited the position.

We continue to own our investment in the satellite/wireless telecom industry. Rollout of 5G wireless services is expected to lead to strong operations. Valuation metrics imply very attractive upside from current prices.

Chemicals

Again, we exited this position as it reached our price target and we saw attractive opportunities elsewhere.

Outlook

Expectations for a successful rollout of Covid vaccines looks to be in reach. Strong economic performance as a result of this and the supportive policy tools have the markets poised for good returns for the balance of the year.