



## Q2 2020 Update

### Fund and Market Recap

Equity market returns during the second quarter of 2021 continued to be strong, with the S&P 500 returning 8.2% and the Russell 2000 4.1%. Returns were more widespread than the first quarter, with REIT's, Tech and Energy the leaders. Strength in companies that will benefit from the post covid reopening continues to be the primary theme across the financial markets.

### Economic Performance and Outlook

Economic activity continues to be robust, with strong consumer demand and hiring data affirming the trajectory of the recovery from the 2020 recession. Business leaders continue to reference very strong demand and struggles in hiring when discussing current business climate. Anecdotal evidence points to robust conditions in areas that had the biggest impact from the pandemic.

the numbers over the last two years paints a much better picture. This metric is our primary focus when evaluating how problematic inflation is.

### Market Expectations

After the second quarter's strong returns, the markets look to be pricing in solid economic performance for the second half of the year. In spite of this, we see very attractive opportunities in

#### Q2 2021 Return Information

Q2 2021			Full Year 2021		
LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000	LPG Cap Part (1)	HF Comp Ind (2)	Russell 2000
40.20%	5.07%	4.05%	93.20%	12.26%	17.53%

(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

Our fund continues to be very well positioned to benefit from the economic recovery theme that is playing out. Our investment in the restructured equity in the energy industry continues to perform well as the price of oil continues to improve.

As was the case last quarter, primary risks to the strong economic backdrop continue to be another resurgence in Covid and tightening monetary policy. We will be watching the progress of the Delta covid variant closely to make sure this does not lead to another round of lockdowns. Headline inflation looks to be high, but normalizing

industries recovering from the 2020 recession. We expect robust free cash flow to drive stock performance from these levels. Given the performance YTD, some volatility going forward should be expected. However, as long as Covid and monetary policy stay as is, strong cash flow and shareholder focused activities should bring another mid-single digit return through the balance of 2021.

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### Fund Positioning

Our fund position has not changed dramatically from the end of the first quarter. We continue to be heavily weighted toward industries and companies that will benefit in an outsized way to the reopening theme. Our primary focus is investing in companies that will be generating outsized amounts of free cash flow and dedicating that money to shareholder friendly activities like share repurchases and increased dividends.

### Investment Updates

#### Energy

We continue to see valuations in this space as very attractive. Oil markets have only improved from the first quarter, with prices recently reaching their highest levels of the last 4 years. Cash flow generation should be very healthy, and aggressive shareholder friendly actions should follow. We have found some low-risk approaches that we are very excited about to maintain upside to this market segment over the next several years. This will allow us to monetize some investments that have performed very well as they reach our price targets.

### Media

Our exposure to the satellite/wireless telecom industry has not changed. 5G wireless deployment continues to drive this investment and we see dramatic upside over the next several years as this transition occurs.

### Airlines

While domestic airlines have performed very well and look stretched from a valuation perspective, international carriers are a very different story. We see a number of interesting opportunities in the segment that should benefit as international travel resumes over the next 12 months. We continue to work on this space to identify the most attractive investments.

### 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.