Q1 2025 Update

Fund & Market Recap

Q1 2025 quickly evolved into a difficult market environment, with equity indexes experiencing their worst quarter since the covid era. Excitement over the Republican election victory turned to concerns about policy trajectory. Market selloff began with the Department of Government Efficiency (DOGE) efforts aimed at reducing federal spending, and continued to escalate as new tariffs discussions became serious. The full impact of this uncertainty became apparent during the first week of April, when specific policies were officially announced.

Several different concerns about the market led us to position the fund conservatively heading into the quarter. This cautious stance led to our outperformance, with the fund returning 3.18% compared to .02% for the Hedge Fund Index and -9.78% for the Russell 2000.

Economic Performance & Outlook

While economic performance remains decent, the outlook depends on the specifics of tariff policy implementation. Outside of trade policy, the employment picture continues to hold steady, and inflation has been showing signs of improvement. These dynamics should help the economy withstand the impact of tariffs so long as interest rates do not go up. Our belief is that we are in the early stages of tariff negotiations with various trading partners. Negotiations are expected to be dynamic but ending at a much more palatable place for the overall economy. Since we do not expect the most draconian predictions to materialize, it is our belief that any resulting recession caused by policies would be mild compared to covid or the financial crises.

Market Expectations

Looking ahead, volatility will continue to be a theme for markets. Current trading levels imply that equity indexes have already priced in about two-thirds of a mild recession. As more clarity around tariff policy emerges, we look for market volatility to ease with the increased confidence of economic trajectory.

Fund Positioning

During the quarter, we used good returns in our media investment to raise additional cash. We have used very attractive valuations to build back our equity exposure, focusing on industry leading companies with strong balance sheets. Given the high level of uncertainty regarding economic trajectory, we plan to be disciplined in our purchasing approach, focusing on company and market valuation levels. We do expect to increase our exposure over the next six weeks as we have more certainty surrounding policy and the impact this will have on the economy.

Q1 2025 Return Information

Q1 2025			Full Year 2025		
LPG Cap Part [1]	HF Comp Ind [2]	Russell 2000	LPG Cap Part [1]	HF Comp Ind [2]	Russell 2000
3.18%	.02 %	-9.786%	3.18%	.02%	-9.786%

1. Certain expenses are estimated for quarterly returns; annual returns are actual
2. Hedge Fund Composite Index the hedge fund index ticker EHFI251 as reported by Bloomberg

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Investment Updates

TELECOM / MEDIA / COMMUNICATIONS

Network Television

During the quarter, we sold our last position in this space as trading levels recovered. In the near term, we expect economic concerns to outweigh the benefits of consolidation anticipated under the new administration.

Broadband

Our investment thesis for broadband has not changed. We continue to view cable and fiber companies as the provider of choice for home internet access. While competition has increased, subscriber statistics have stabilized, and cash flows are increasing through marginal price increases and higher speed service offerings. Strong cash flows combined with shareholder friendly initiatives are expected to lead to higher trading levels over the course of the year.

AEROSPACE

Operating performance continues to improve for this investment. The recent award of the contract for the next generation Airforce fighter jet highlights the value of the business segments outside of the commercial aerospace division. We expect non-core asset sales to materialize over the next 6 months, improving liquidity. Generating positive cash flow in the second half of the year is expected to be another catalyst for the stock. A diversified order backlog should outweigh concerns over any country specific tariff headwinds.

OUTDOOR RECREATION

We have identified trading levels at which we would be willing to increase our investment in a company in this space. While near-term operational challenges persist, we expect the investment will continue to generate modest cash flow this year.

CANDIDATES

We have a number of industries and companies on our watchlist should the current market volatility persist. Leading utility, media, financial, and airline companies have fallen between 30% and 50%.

Outlook

The anticipated volatility we discussed in our Q4 2024 update has arrived, and we expect it to continue through the summer. During this period, we plan to build positions in leading companies as attractive opportunities arise.