



April 3, 2020

First Quarter Update and Outlook

These are unprecedented times. Most investors today have not lived through an extended economic downturn that started so abruptly and that is likely to last for more than a few months. It has been 12 years since the stock market declined as dramatically as this. In hindsight, the Coronavirus was the black swan that got the ball rolling on a stock market that was maybe too expensive overall, an economy that was too leveraged, a population with too little savings, and a government that was already spending beyond its means.

The economy will take a while to recover and in the meantime the casualties will pile up. Eventually, though, what comes out of this will be less leveraged corporations, a more self-sufficient economy and a higher savings rate. The sudden transition to that process has and will continue to be painful.

With that in mind, our Opportunistic portfolio has significant cash reserves invested in U.S. government money market funds. Most of our portfolios have a large weighting in silver and gold shares that would benefit from the inverse of investor confidence. The economic reset is immediately resulting in deflation, but we are planning for the future and we think it will result in an inflationary world. Commodity and infrastructure related issues (that can stay solvent in the near term) will likely benefit from a wave of monetary and fiscal stimulus policies worldwide.

During the quarter we sold then repurchased the ProShares Short S&P 500 Exchange Traded Fund, in which we continue to have a position. The stock serves as a hedge to a declining stock market, specifically the Standard & Poor's 500. We purchased Hawaiian Airlines, and purchased more as it declined precipitously. It is difficult to see well run companies such as Hawaiian suffer viciously during this economic collapse, but we do sense an opportunity when travel starts to recover. We purchased additional shares in Alcoa and Petroleo Brasileiro (Petrobras) for the same reasons. Our purchase of the iShares Silver Trust Exchange Traded Fund reflects our belief that silver as a commodity is undervalued, especially relative to its cousin, gold.

We sold our shares in MDC Holdings, the home builder and Exelon, the electric utility. Both stocks had reached our price targets. We also sold Carbo Ceramics at a significant loss. The company is being acquired by its primary lender, the Wilkes Brothers for next to nothing. We expect to see a lot more of that in the natural gas and oil industry going forward. Nevertheless, once the shakeout is finished, those that survive and continue to have access to capital will have tremendous opportunities.

These times are historic. Never before have many of the world economies basically shut down at the same time. The effects of a 30-fold increase in jobless claims over the past month in the U.S.

are just starting to set in. Nevertheless, the sharp decline in the markets have also presented historic opportunities, that we hope to take advantage of as the situation unfolds.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Upon request, LSC will furnish a list of all recommendations made since inception, this list shall include the name of each security, date and nature of each such recommendation, market price at the time of each recommendation, price at which the recommendation was made and price it was to be acted upon, and market price of each security as of the most recent practicable date.