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In Pursuit of Value

June, 2015

Inflation and Investing

At its most fundamental level, investing is about preserving the purchasing power of savings into the future. It reflects the hope, or expectation, that by deferring consumption today the saver will be able to consume more tomorrow. Without that belief, the incentive to save at all makes little sense. Growing your savings faster than inflation is the point of investing.

As I wrote in *Bonds Are Not Forever; The Crisis Facing Fixed Income Investors*, all is not as you may assume regarding how the government calculates inflation. Any saver truly interested in realizing increased purchasing power on money invested for the future is well advised to understand exactly what is measured, and how.

Changes in the cost of goods and services are reflected through inflation statistics. The All-Urban Consumer Price Index (CPI-U) is probably the most widely used index of inflation. The Bureau of Labor Statistics calculates CPI and employs a small army of checkers to sample prices for thousands of goods and services each month. The Federal Reserve prefers the Personal Consumption Expenditures Index Ex-Food and Energy, known as the PCE Index. The Bureau of Economic Analysis calculates the PCE Index using actual consumption data, which makes it more reflective of spending patterns but also delays its publication until the supporting figures are available. The differences between the two indices are not that important for most people; what is far more interesting are many little-known quirks and features of how inflation indices are calculated.

One item that many non-economists find surprising is the use of "hedonic quality adjustments". This is to account for the numerous changes that take place in the quality of most of what we buy. One of my favorite examples is laptop computers. Although their actual prices don't vary much from year to year, their speed and productivity improve relentlessly. To the statistician, a faster laptop at last year's price represents a price cut. They translate the improved performance into a price reduction and the result feeds into the inflations statistics.

The theory behind this is that a better laptop provides you with greater satisfaction, referred to as *utility*, which really gets to the heart of the matter. The basket of goods and services whose average price is being tracked is intended to provide constant utility through time. When you spend money, an economist observes that what you bought provides you with greater utility than the money you paid. People are assumed to make decisions that maximize their utility, in that they spend their money in ways that give them the most satisfaction. Although a faster laptop is better, the price reduction inferred by statisticians from this increased utility doesn't leave you with money left over to spend on something else, if the actual price is unchanged. Computer prices routinely subtract from the inflation statistics in this way.

For the long term saver, the constant utility construct represents a subtle but insidious shortcoming in the inflation statistics. Over any reasonable period of years, living standards rise. The quality of products and services improves; per capita GDP, or average incomes, rise in real (i.e. inflation-adjusted) terms. The consequence is that merely keeping up with inflation is to forego the general rise in living standards that is part of any capitalist economy. If today your income matches the average exactly, growing your income at the inflation rate will result in you slipping inexorably below the average.

Economists know this and wonder why it's surprising. The rest of us are surprised and wonder why it's so. Constructing a price index based on constant utility has a far sounder basis and is easier than one relying on a constant standard of living, which is why things are the way they are. Most of us care about maintaining our standard of living, which is a relative measure, not our utility, which is an absolute one. The Government is measuring something, just not what we think they're measuring. The designers believe they're measuring what counts, it's just not what counts to us. The result is, preserving your standard of living relative to the rest of the population requires growing your income faster than inflation. Probably 1-2% faster.

Some economists torment their profession by revealing gaping holes in the traditional model of individual

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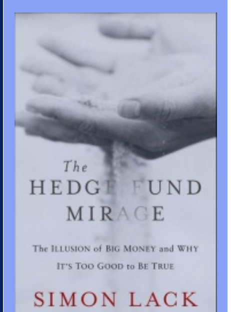

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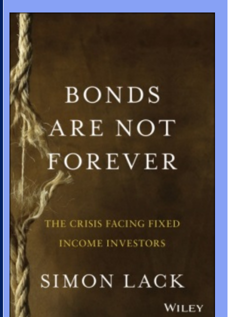
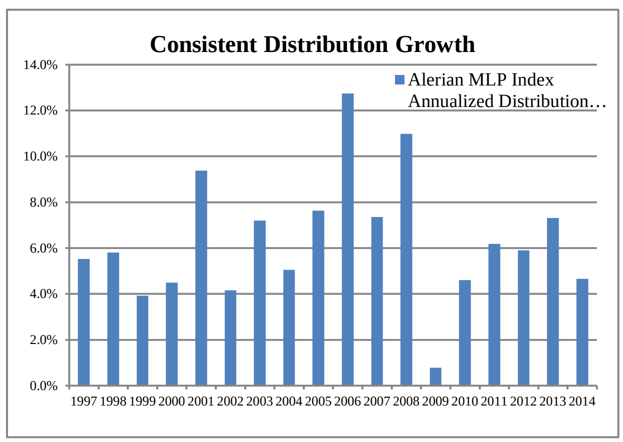
behavior that economics relies on. Behavioral Finance is a fascinating area of research that explains why the world is often as it is and not the way that neatly fits conventional economic theory. People routinely and happily make decisions that don't maximize their utility. Lotteries are an example. Since the expected value of a lottery ticket is less than what it costs the buyer, its negative utility should render lotteries obsolete. Nonetheless, lotteries do exist and represent a useful supplement to many state government's revenues. Their existence illustrates a weakness in the assumption that consumers maximize their utility. Economic theory is frequently forced to adapt to the inconvenient human invalidation of its models.

Another important flaw is the way housing costs are calculated. Inflation statistics are intended to measure the cost of goods and services. For most households, housing is their biggest monthly expense, so changes in its cost really are important. The problem for economists is that owning a house provides shelter but also represents an investment in an asset. They need to separate the "service" of shelter provided by housing from the return on your home as an asset. The solution they've come up with is Owners' Equivalent Rent of Primary Residence (OER). They measure this by asking people what they think their house would rent for. It's a strange concept. Who even knows to any degree of accuracy, unless you live in an apartment building where neighboring units like yours are rented out? It's a rare cocktail party or barbeque where conversation turns to recent increases in OER, whereas increases in house prices are routinely discussed. The theory is that the market price of a house represents the cashflows it will generate just like any other asset, so over time the two ought to keep track. Over periods of a decade or more, the evidence supports that this is true. But it's a non-intuitive method, and it didn't work well in the years leading up to the 2008 financial crisis when inflation (including OER) was well behaved while house prices were rising sharply. The OER methodology would regard rising house prices as being predictive of rising actual rents in the future, just as rising stock prices might reflect the expectation of higher corporate profits. The problem back then was, for most people (since home ownership is how the majority obtains its shelter) the actual cost of housing was rising sharply, but OER wasn't. Perhaps a CPI based on the costs of home ownership instead of OER might have alerted policymakers to a looming problem in time to respond before the full-blown crisis hit.

SL Advisors, LLC focuses on investment strategies that provide income without relying on fixed income securities



From time to time minor enhancements have been made to inflation indices with the stated objective of improving their accuracy while also conveniently resulting in lower inflation. As a result, conspiracy theorists have much to work with and there's no doubt that understating inflation provides fiscal benefits through reduced entitlement spending and perhaps even lower interest rates on debt. Although it's tempting to believe, I highly doubt the Federal government with the thousands of bureaucrats all involved in producing inflation statistics could orchestrate such a scheme, never mind keep it quiet. However, Congress can be relied upon to readily approve methodological changes that flatter their financial management.



As-reported inflation may rise in the future, as well as the anecdotal version we all find higher already. The Federal Reserve desires higher inflation since its 2% target is not being met. Long term investors need assets that will truly offer protection. Clearly bonds, with their measly yields, offer no protection against uncertainty and, after taxes, no capital preservation either. A substantial part of the solution must be to own assets whose cash-generating ability can be relied upon to grow at least as fast as inflation; ideally, as fast as living standards themselves.

Master Limited Partnerships (MLPs), which operate America's energy infrastructure, have a history of steady distribution growth for almost two decades through all environments. Owning scarce assets that are in demand helps, but it's also not bad to have Government regulation on your side. Under Federal law, pricing for pipelines that cross state lines is regulated by the Federal Energy Regulatory Commission (FERC). To prevent monopolistic owners raising prices indiscriminately on customers with sometimes limited options, price increases are pegged to inflation. For example, for liquid interstate pipelines the Producer Price Index (PPI) plus 2.65% is the allowable annual rate of increase. For the pipeline operator, inflation uncertainty is removed. For investors, such assets represent an attractive way to preserve their purchasing power. MLPs and the general partners that control them can have a place in every long term investor's portfolio.

Performance Tables (Net of fees)

MLP Strategy							Since Inception 230%				*Index*		*134%*
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2008	**-0.6**	**3.1**	**-0.7**	**2.0**	**4.2**	**-10.6**	**-1.9**	**0.7**	**-14.9**	**-1.0**	**-22.0**	**2.9**	**-35.5**
Index	*-0.6*	*-0.5*	*-6.3*	*7.3*	*1.0*	*-4.9*	*-1.7*	*1.7*	*-17.2*	*-0.1*	*-17.1*	*-3.7*	*-36.9*
2009	**15.5**	**-2.0**	**5.1**	**5.9**	**10.0**	**-1.0**	**10.2**	**0.2**	**1.1**	**2.3**	**6.3**	**5.1**	**75.0**
Index	*15.3*	*-4.2*	*0.7*	*11.0*	*9.3*	*-1.7*	*12.4*	*-3.2*	*4.8*	*2.9*	*6.4*	*6.6*	*76.4*
2010	**0.8**	**5.5**	**2.1**	**2.5**	**-4.4**	**5.2**	**5.9**	**-1.5**	**5.1**	**2.1**	**3.3**	**2.8**	**33.0**
Index	*0.6*	*4.6*	*2.9*	*3.4*	*-5.4*	*5.6*	*7.5*	*-2.5*	*6.1*	*5.4*	*1.9*	*1.7*	*35.9*
2011	**1.3**	**5.2**	**0.1**	**2.7**	**-4.2**	**1.9**	**-2.4**	**-0.2**	**-3.3**	**9.2**	**0.2**	**6.9**	**17.6**
Index	*3.0*	*3.5*	*-0.6*	*3.3*	*-5.0*	*1.1*	*-1.9*	*-1.1*	*-4.1*	*10.3*	*-0.2*	*5.8*	*13.9*
2012	**1.7**	**5.3**	**-3.6**	**0.9**	**-7.0**	**3.3**	**5.8**	**3.2**	**2.3**	**-0.8**	**0.3**	**-3.0**	**7.8**
Index	*1.9*	*4.2*	*-4.0*	*2.2*	*-7.5*	*3.3*	*5.1*	*1.6*	*2.0*	*0.5*	*-0.8*	*-3.1*	*4.8*
2013	**12.9**	**1.8**	**5.8**	**-0.5**	**-1.1**	**2.7**	**0.3**	**-0.3**	**1.4**	**2.4**	**4.1**	**3.5**	**37.3**
Index	*12.6*	*0.9*	*5.4*	*0.9*	*-2.0*	*3.1*	*-0.5*	*-2.5*	*2.3*	*2.7*	*0.9*	*1.6*	*27.6*
2014	**1.5**	**2.6**	**3.9**	**2.4**	**5.6**	**9.6**	**-4.0**	**7.5**	**-1.5**	**-4.0**	**0.4**	**-3.0**	**21.9**
Index	*0.6*	*-0.2*	*1.5*	*4.3*	*3.4*	*5.9*	*-3.5*	*8.2*	*-1.6*	*-4.6*	*-2.6*	*-5.6*	*4.8*
2015	**-3.0**	**5.8**	**-0.9**	**4.9**	**-2.6**								**3.9**
Index	*-3.1*	*2.1*	*-4.2*	*6.2*	*-3.6*								*-3.0*

Returns do not include cash balances prior to May 2010. The Index is the Alerian MLP Index, AMZX. Past performance is not indicative of future returns.

Hedged Dividend Capture Strategy ("DivCap")						Since Inception			24%		*Index 1%*		
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011										**0.3**	**0.3**	**3.6**	**4.3**
Index										*0.6*	*-0.2*	*0.2*	*0.6*
2012	**-3.5**	**-2.0**	**1.2**	**1.7**	**1.2**	**2.2**	**1.1**	**-1.3**	**0.5**	**0.8**	**0.6**	**-0.6**	**1.8**
Index	*0.4*	*-0.8*	*-1.2*	*-1.5*	*-0.4*	*-1.5*	*-0.1*	*-0.1*	*-0.3*	*0.2*	*0.5*	*0.1*	*-4.7*
2013	**2.9**	**3.5**	**4.1**	**0.9**	**-2.8**	**1.1**	**1.4**	**-3.0**	**-0.4**	**3.2**	**-0.7**	**-0.4**	**10.0**
Index	*0.4*	*0.2*	*0.0*	*0.5*	*0.2*	*-0.6*	*0.6*	*-1.6*	*-0.1*	*1.4*	*0.6*	*0.2*	*1.7*
2014	**-1.6**	**0.0**	**1.9**	**2.4**	**0.3**	**0.0**	**-2.2**	**3.1**	**0.2**	**0.9**	**1.2**	**0.3**	**6.7**
Index	*0.7*	*0.7*	*0.6*	*0.6*	*-1.8*	*0.4*	*0.2*	*0.9*	*0.3*	*1.0*	*-0.1*	*0.0*	*3.6*
2015	**-0.1**	**-0.1**	**2.8**	**-2.1**	**-1.1**								**-0.6**
Index	*0.1*	*0.4*	*1.2*	*-1.5*	*-0.2*								*0.0*

The Index is the HFRX Equity Market Neutral Index. Past performance is not indicative of future returns.

Energy Infrastructure Strategy							Since Inception			28%	*Index*		*9%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2013								**1.2**	**0.8**	**4.2**	**-0.3**	**6.2**	**12.5**
Index								*-0.5*	*2.3*	*2.7*	*0.9*	*1.6*	*5.3*
2014	**0.9**	**1.6**	**0.1**	**4.3**	**5.0**	**10.1**	**-2.6**	**6.7**	**-4.1**	**-2.2**	**-2.8**	**-1.1**	**16.1**
Index	*0.6*	*-0.2*	*1.5*	*4.3*	*3.4*	*5.9*	*-3.5*	*8.2*	*-1.6*	*-4.6*	*-2.6*	*-5.6*	*4.8*
2015	**-6.7**	**5.7**	**1.8**	**4.2**	**-5.3**								**-0.9**
Index	*-3.1*	*2.1*	*-4.2*	*6.2*	*-3.6*								*-3.0*

The Index is the Alerian MLP Index, AMZX. August 2013 was a partial month. Past performance is not indicative of future returns

Performance Tables (Continued)

High Dividend Low Beta Strategy ("HighDiv")							**Since Inception**			**49%**	*Index*		*45%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2012								**0.2**	**1.9**	**0.0**	**1.0**	**-0.2**	**2.9**
Index								*-0.9*	*1.7*	*-0.1*	*-0.2*	*-0.5*	*0.0*
2013	**5.8**	**4.0**	**5.7**	**1.9**	**-2.0**	**0.2**	**4.1**	**-4.3**	**1.0**	**5.4**	**0.8**	**1.1**	**25.9**
Index	*5.0*	*2.7*	*4.9*	*3.8*	*-3.4*	*0.6*	*4.2*	*-4.8*	*2.0*	*4.6*	*1.2*	*1.1*	*23.6*
2014	**-3.5**	**2.7**	**2.0**	**2.8**	**1.4**	**0.9**	**-2.5**	**5.1**	**-0.8**	**2.2**	**2.5**	**-0.1**	**13.3**
Index	*-2.5*	*3.7*	*2.1*	*1.9*	*1.0*	*2.2*	*-3.8*	*3.8*	*-0.9*	*4.9*	*3.2*	*0.9*	*17.5*
2015	**-1.4**	**2.9**	**1.8**	**-1.2**	**-0.7**								**1.3**
Index	*-0.4*	*1.5*	*-0.3*	*-2.0*	*0.9*								*-0.3*

The Index is the S&P 500 Low Volatility Index including dividends. Past performance is not indicative of future returns

Deep Value Strategy							**Since Inception**			**160%**	*Index*		*141%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2009								**1.1**	**11.3**	**0.5**	**3.5**	**9.9**	**28.8**
Index								*3.6*	*3.7*	*-1.9*	*6.0*	*1.9*	*14.0*
2010	**-1.2**	**4.0**	**4.1**	**3.1**	**-3.9**	**-4.4**	**5.1**	**7.3**	**7.9**	**2.1**	**0.1**	**2.8**	**29.5**
Index	*-3.6*	*3.1*	*6.0*	*1.6*	*-8.0*	*-5.2*	*7.0*	*-4.5*	*8.9*	*3.8*	*0.0*	*6.7*	*15.1*
2011	**0.3**	**2.3**	**2.0**	**2.5**	**-2.2**	**-2.8**	**0.5**	**-5.0**	**-9.0**	**12.1**	**-0.3**	**-0.4**	**-1.4**
Index	*2.4*	*3.4*	*0.0*	*3.0*	*-1.1*	*-1.7*	*-2.0*	*-5.4*	*-7.0*	*10.9*	*-0.2*	*1.0*	*2.1*
2012	**4.3**	**5.3**	**0.9**	**1.9**	**-8.7**	**3.9**	**0.7**	**3.6**	**3.3**	**-1.0**	**-2.5**	**1.1**	**12.7**
Index	*4.5*	*4.3*	*3.3*	*-0.6*	*-6.0*	*4.1*	*1.4*	*2.3*	*2.6*	*-1.8*	*0.6*	*0.9*	*16.0*
2013	**6.4**	**0.7**	**4.4**	**1.5**	**2.2**	**-1.5**	**4.2**	**-1.2**	**1.8**	**3.0**	**2.1**	**5.2**	**32.5**
Index	*5.2*	*1.4*	*3.8*	*1.9*	*2.3*	*-1.3*	*5.1*	*-2.9*	*3.1*	*4.6*	*3.0*	*2.5*	*32.3*
2014	**-4.8**	**5.3**	**0.3**	**2.2**	**1.4**	**4.7**	**-2.4**	**6.4**	**-5.5**	**-1.4**	**-0.6**	**-1.7**	**3.0**
Index	*-3.5*	*4.6*	*0.8*	*0.7*	*2.3*	*2.1*	*-1.4*	*4.0*	*-1.4*	*2.4*	*2.7*	*-0.3*	*13.7*
2015	**-6.1**	**9.1**	**1.2**	**0.6**	**-1.2**								**3.1**
Index	*-3.0*	*5.7*	*-1.6*	*1.0*	*1.3*								*3.2*

Returns do not include cash balances prior to November 2009. The Index is the S&P 500 including dividends

SL Advisors runs a variety of strategies focused on generating attractive risk-adjusted returns using public equities in long-only and long-short format.
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Low Beta Long/Short Strategy ("LBLS")							**Since Inception**			**119%**	*Index*		*1%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011			**-3.6**	**19.4**	**6.5**	**4.6**	**0.1**	**9.2**	**-1.0**	**6.8**	**2.0**	**1.6**	**53.6**
Index			*-0.9*	*0.5*	*-1.4*	*-1.6*	*-0.1*	*-3.5*	*-3.0*	*0.8*	*-0.9*	*-0.4*	*-10.0*
2012	**-4.9**	**-1.5**	**5.8**	**3.4**	**1.2**	**2.5**	**3.3**	**-2.1**	**0.0**	**3.1**	**0.3**	**-1.2**	**9.8**
Index	*1.7*	*1.4*	*0.0*	*0.1*	*-1.7*	*-0.3*	*0.5*	*0.5*	*0.4*	*-0.5*	*0.4*	*0.9*	*3.5*
2013	**7.9**	**6.6**	**6.6**	**3.3**	**-2.0**	**-0.6**	**3.9**	**-2.0**	**0.4**	**0.4**	**-2.7**	**2.1**	**25.7**
Index	*2.0*	*0.4*	*0.7*	*0.6*	*0.7*	*-1.3*	*1.0*	*-0.9*	*1.0*	*1.2*	*0.6*	*0.4*	*6.5*
2014	**-5.6**	**-0.5**	**1.3**	**2.9**	**-1.0**	**3.5**	**-0.7**	**5.2**	**-0.5**	**-0.9**	**2.3**	**1.5**	**7.4**
Index	*-0.1*	*1.6*	*-0.2*	*-0.7*	*0.5*	*0.9*	*-0.9*	*1.1*	*-0.8*	*-1.3*	*0.3*	*-0.8*	*-0.4*
2015	**-1.2**	**--0.8**	**2.1**	**-1.2**	**-2.9**								**-4.1**
Index	*-0.3*	*2.0*	*0.3*	*0.2*	*0.4*								*2.5*

The Index is the HFRX Global Hedge Fund Index. Returns are net of fees. Past performance is not indicative of future returns.

SL Advisors offers separately managed accounts for individuals, family offices and institutions across various investment strategies. Client assets are held with Charles Schwab, the largest provider of custody services for independent registered investment advisors in the U.S. with client assets of $1.1 trillion (as of December 31, 2014). Client portfolios are completely transparent via Schwab's extensive website which provides real-time access to accounts and all supporting information. Detailed monthly statements are mailed directly to clients from Schwab.

SL Advisors MLP Strategy
This portfolio consists of approximately 15 investments in Master Limited Partnerships (MLPs) and publicly traded companies in energy infrastructure and related assets to receive a healthy and growing tax deferred income stream. MLPs are publicly traded interests primarily invested in energy infrastructure and related assets. They represent direct proportional ownership stakes in the underlying assets rather than securities in a corporation. Historically they have paid regular distributions which have steadily grown, and as such they can be suitable for investors seeking income generating investments with a tolerance for equity market exposure.

SL Energy Infrastructure Strategy
This strategy seeks to achieve its investment objective by primarily investing in the equity securities of the general partners of master limited partnerships ("MLPs") and the parent companies of general partners of MLPs (collectively, "GPs"). It holds some of the same names that are in the MLP Strategy but only invests in securities that generate 1099s for tax-reporting. As such, it may be appropriate for tax-deferred, tax-exempt and non-U.S. investors.

SL Advisors Hedged Dividend Capture Strategy
An alternative to bonds, this strategy utilizes stocks of stable companies with high dividend yields to generate income with capital appreciation by investing in a diverse, unleveraged, hedged portfolio of U.S. equities. Companies are selected that possess a history of steady earnings growth, attractive dividend yields and are less volatile than the overall market. The long positions are hedged with a short S&P500 position with the objective of making the portfolio beta neutral while still maintaining a net long equity exposure. Historically this strategy has exhibited monthly swings comparable to corporate bonds, and given the relative attractiveness of equities compared with investment grade bonds we believe it has a more attractive return outlook. This strategy may be considered as a substitute for a portion of an investor's fixed income allocation.

SL Advisors High Dividend Low Beta Strategy
This is the long-only version of our Hedged Dividend Capture Strategy (Long/Short), which has been actively managed and deployed since October 2011. Academic research has shown the Capital Asset Pricing Model (CAPM) fails to explain risk-adjusted returns. Over long periods of time, high beta stocks tend to under-perform and low beta stocks tend to out-perform, on a risk-adjusted basis, which is inconsistent with predicted performance by the CAPM. This strategy attempts to take advantage of this persistent anomaly.

SL Advisors Deep Value Equity Strategy
A portfolio of undervalued stocks of high quality businesses that aims to outperform the S&P500. Investments are in listed U.S. equities trading significantly below the intrinsic value of the underlying enterprise. Potential investments are identified both qualitatively and quantitatively following which detailed research is performed to assess fundamental value. Desired characteristics of businesses include pricing power, low leverage, low costs of production, and attractive valuation. Valuation is defined to us foremost as the net present value of cash one can extract from proportional ownership of the business, then relatively using peer multiples and finally liquidation value. The portfolio is reassessed constantly and all holdings are rated for return potential and risk against their peer group to rebalance into what we believe are the most attractive opportunities. This strategy is part of the equity allocation for balanced accounts for individuals, and is also appropriate as an alpha seeking equity strategy for institutional accounts.

SL Advisors Low Beta Long-Short Strategy
Low Beta Long-Short is more concentrated than Hedged Dividend Capture ("DivCap") with added leverage and is not restricted to dividend paying stocks. It includes our best ideas from DivCap weighted according to conviction rather than diversified, equal weight allocations. It is managed to be beta neutral and returns are driven very largely by individual stock selection. Interactive Brokers is custodian for assets in this strategy only.

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DISCLOSURES

MLP Strategy

Returns for the MLP Strategy reflect the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP index is shown for comparison purposes only. The Alerian MLP is a float-adjusted, capitalization-weighted index, which tracks 50 large- and mid-cap energy Master Limited Partnerships (MLPs), capturing 75% of available market capitalization. This index tracks securities which most closely correlate to the securities in which the MLP strategy invests. You cannot invest directly in an index. Past performance is no guarantee of future results.

Energy Infrastructure Strategy

The Energy Infrastructure Strategy seeks to invest in the General Partners (GPs) of Master Limited Partnerships (MLPs) and other energy infrastructure businesses solely through C-corps rather than partnerships. Consequently, the tax reporting consists of 1099s rather than the K-1s common with MLPs. Returns for the Energy Infrastructure Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP Index is shown for comparison purposes only. The Alerian MLP Index is a float-adjusted, market-capitalization weighted index of publicly traded MLPs. This index best reflects the universe of stocks from which the Energy Infrastructure Strategy seeks to invest. You cannot invest directly in an index. Past performance is no guarantee of future results.

Hedged Dividend Capture Strategy ("DivCap")

Returns for the Hedged Dividend Capture Strategy reflects the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. As stated above, part of the objective of the Hedged Dividend Capture Strategy is to outperform the HFRX EM Neutral Index. The performance of the HFRX EM Neutral Index and the DJ Corporate Bond Index are shown for comparison purposes only. The HFRX EM Neutral Index consists of hedge funds that employ quantitative techniques to construct portfolios which are intended to be uncorrelated with equity markets. The DJ Corporate Bond Index is an equally weighted index of investment-grade corporate bonds. HFRX EM Neutral Index is presented as it is a reasonable comparison for DivCap which seeks to generate returns while remaining uncorrelated with equities. Thie DJ Corporate Bond Index is presented as the manager believes DivCap can be an acceptable substitute for corporate bonds given its income generating objective. index You cannot invest directly in an index. Past performance is no guarantee of future results.

High Dividend Low Beta Strategy ("HighDiv")

The objective of this strategy is to: (1) generate equity market returns over full market cycle with lower volatility (2) outperform S&P500 during periods of significant stock market underperformance (3) generate higher dividend income than the S&P500. Returns for the High Dividend Low Beta Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 Low Volatility index is shown for comparison purposes only. The S&P 500 Low Volatility index measures performance of the 100 least volatile stocks in the S&P500. The index benchmarks low volatility or low variance strategies for the U.S Stocks market. This index tracks securities which most closely correlate to the securities in which the High Dividend Low Beta strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Deep Value Strategy

The objective of this strategy is to outperform the S&P500 Index with a similar level of volatility by investing in a portfolio of undervalued publically traded securities. Returns for the Deep Value Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 index is shown for comparison purposes only. The S&P 500 index is comprised of stocks of large U.S companies and is widely recognized as a benchmark of U.S. stock market performance. This index tracks securities which most closely correlate to the securities in which the Deep Value strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Low Beta Long/Short Strategy ("LBLS")

The objective of this strategy is to deliver absolute returns that are uncorrelated to traditional asset classes. It aims to generate capital appreciation while remaining Beta neutral by maintaining a net long position in low beta equities hedged with the S&P500 (using SPY) to deliver uncorrelated returns. It deploys gross leverage of typically < 2:1 and targets volatility similar to the S&P500. Returns for the Low Beta Long/Short Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the HFRX Global Hedge Fund Index is shown for comparison purposes only. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies. The Strategies are asset weighted based on the distribution of assets in the hedge fund industry. HFRX Global Hedge Fund Index is presented as it is a reasonable comparison for LBLS which seeks to generate absolute returns while remaining uncorrelated with equities. You cannot invest directly in an index. Past performance is no guarantee of future results.