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# In Pursuit of Value

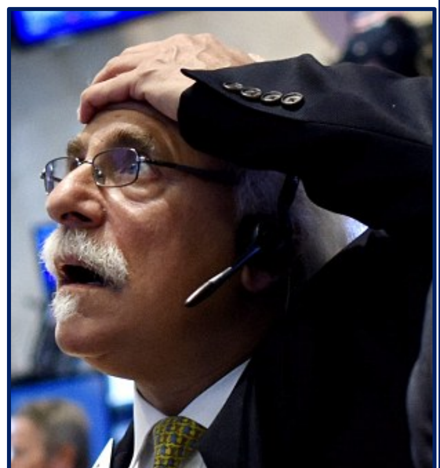
September, 2015

**Thinking Fast, And Slow**

Market gyrations such as those of the past couple of weeks make a mockery of the Efficient Market Theory (EMT), the Capital Asset Pricing Model and the entire structure of financial theory which holds that markets are reasonably efficient. Prices routinely move more than values, but the University of Chicago Booth School, which is perhaps the spiritual center of this world view, must find the empirical invalidation of their neat models confounding. The frustration of academics worries most people less than the fluctuations of their own portfolios.

A move led by what financial media overwhelmingly dubbed "The Great Fall of China" needs explaining. For years, strong GDP growth in China failed to translate into strong equity returns for investors. There is virtually no link between the two. The most tangible effect of slowing Chinese GDP growth has been lower commodity prices, a well-established trend with which investors in emerging markets and the energy sector are painfully familiar. The collapse in Chinese equities looks to us like a crisis for many over-leveraged Chinese speculators, but not something that ought to impact U.S. GDP. Once again, equity markets have reflected a far sharper change in valuations than seems warranted.

Behavioral Finance and the EMT offer competing structures to explain investor behavior. Richard Thaler in *Misbehaving: The Making of Behavioral Economics* dubs the people who live in the world described by EMT as "econs". These are emotionless agents who have smooth utility curves, never gamble (because of its negative expected outcome) and are always rational. EMT fails to explain the market gyrations of August because it is built on a proliferation of econs as market participants, whereas econs inconveniently don't exist (perhaps outside of Chicago's business school).



**What the f…?**

Behavioral Finance offers a coherent structure of markets that can accommodate outcomes when things go haywire. Real people do exhibit loss aversion (a willingness to gamble to avoid a loss even with poor odds) and other irrational, emotionally driven behaviors. Daniel Kahneman's 2013 book, *Thinking Fast, and Slow*, identifies two systems within the brain that govern decision making. They're not physiological systems that exist in discrete areas of the human brain, they're decision-making processes that are identified by the outcomes they create. These Fast and Slow systems (Kahneman labels them 1 and 2) sometimes work together and sometimes are in conflict. The Fast system is intuitive. It makes snap judgments based on feel and emotion. It has biases, because these allow faster decisions. It is lazy, because reaching speedy conclusions doesn't require much effort.

The Slow system is analytical. It gathers information and makes judgments based on facts and experience. It is intelligent. Sometimes the Fast and Slow systems agree, albeit reaching their conclusions by a different route. Sometimes they're in conflict. Years ago my college-age sister greeted an Asian student she met by assuming he was a computer science major (her Fast system), before her Slow system identified the political incorrectness of this and apologized, conceding the possibility of a love of Liberal Arts (of course her Fast

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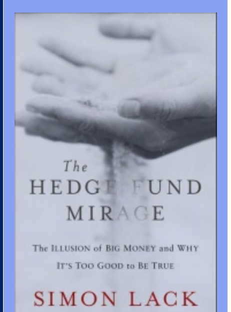


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system was correct).

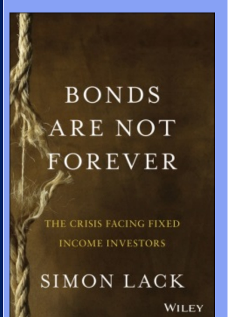
Investing is a Slow system activity. But sometimes the Fast system takes over, and when that happens carefully considered long term strategies are ditched in favor of immediate gratification or pain-reduction. Very occasionally, the Fast system can be superior (such as reacting following an earnings release) but most of the time it will be worse and often at severe conflict with the Slow system. The simple idea of Buy Low/Sell High represents an effort by the Slow system to over-rule the Fast one and invest in cheap securities when the Fast system wants to run. Just consider your own mindset when you're contemplating a long term investment versus your feelings when you watch what you own collapsing. Successful investing requires organizing your finances so that your Slow system is always the master of your Fast one.

Financial advisors sometimes call this "hand-holding". One advisor I know describes the most important part of his job as preventing his clients from acting impulsively and selling during a sharp market fall. In effect, he's trying to get his clients' Slow systems to dominate, at a time when the lazy Fast system just wants to hit the sell button. Broadcast media that covers Finance (such as CNBC) speaks to the Fast system, because theirs is a world of sound bites. Print media can do both but is more aligned with the Slow system. You find your investments by reading, and at some point TV will make you want to sell them.

When MLP yields moved up through 7% and briefly exceeded 8% as prices fell, investors whose Slow system dominates were buying from investors whose Fast system had (hopefully temporarily) taken charge of their decision making. A wealth transfer took place from Fast to Slow. EMT maintains that "non-econs", who are by definition irrational, will over time be bankrupted by the relentlessly rational econs who will exploit their investing mistakes and gradually own all the capital. Human investors, who are the kind we care about, can be Fast or Slow dominant and can move between the two.

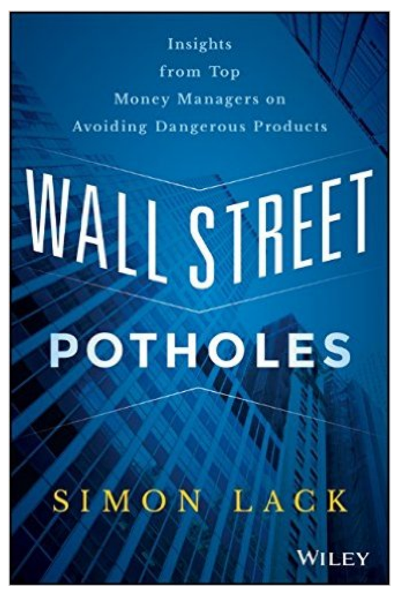
As a money manager, we want Slow system clients. We try and identify like-minded people before they become clients, and we only speak to their Slow system. Happily, the dialogue we've had with clients in recent weeks as well as their actions confirm that we have an alignment of systems as well as an alignment of interests (i.e. we are heavily invested alongside our clients).

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




**Wall Street Potholes**

My upcoming book is a collaboration with four like-minded financial services colleagues. Achieving good outcomes for investors need not be limited to the investment strategies we deploy. *The Hedge Fund Mirage* and *Bonds Are Not Forever* both set out to inform investors with the hope that they would make better decisions. They highlighted problems with two important asset classes (hedge funds and bonds) and showed why future returns were likely to be disappointing. Subsequent events provided support to the views therein.




*Wall Street Potholes* doesn't target an asset class but instead exposes certain investment products that are primarily designed to create fees for the broker rather than wealth for the client. Regular readers will already be familiar with my thoughts on non-traded REITs, a nasty little product that truly should not exist. There is plenty of additional material, and in the belief that sunlight is the best disinfectant my co-authors and I shine light where it's sorely needed. The book will be released in November. Clients will each receive a complimentary signed copy.

## Performance Tables (Net of fees)

| MLP Strategy | | | | | | | Since Inception 181% | | | | *Index* | | *97%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-2.5** | **-4.8** | **-4.9** | **-6.2** | | | | | **-11.7** |
| *Index* | *-3.1* | *2.1* | *-4.2* | *6.2* | *-3.6* | *-8.3* | *-3.2* | *-5.0* | | | | | *-18.2* |

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 4%* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-2.0** | **-1.1** | **-1.0** | **2.0** | **-1.2** | | | | | **-0.7** |
| *Index* | *0.1* | *0.5* | *1.0* | *-1.5* | *-0.4* | *1.1* | *1.4* | *0.1* | | | | | *2.4* |

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

| Energy Infrastructure Strategy | | | | | | | Since Inception | | | 5% | *Index* | | *-8%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-2.0** | **-6.8** | **-10.4** | | | | | **-18.8** |
| *Index* | *-3.1* | *2.1* | *-4.2* | *6.2* | *-3.6* | *-8.3* | *-3.2* | *-5.0* | | | | | *-18.2* |

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 | | 43% | *Index* | | *41%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-0.6** | **-2.2** | **2.7** | **-4.4** | | | | | **-2.7** |
| *Index* | *-0.4* | *1.5* | *-0.3* | *-2.0* | *0.9* | *-1.8* | *4.3* | *-4.9* | | | | | *-2.9* |

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 | | 134% | *Index* | | *127%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-2.6** | **-3.2** | **-4.8** | | | | | **--7.4** |
| *Index* | *-3.0* | *5.7* | *-1.6* | *1.0* | *1.3* | *-1.9* | *2.1* | *-6.0* | | | | | *-2.9* |

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

| Low Beta Long/Short Strategy ("LBLS") | | | | | | | Since Inception | | 112% | *Index* | | *-2%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-2.8** | **0.3** | **-0.4** | | | | | **-6.9** |
| *Index* | *-0.3* | *2.0* | *0.3* | *0.2* | *0.3* | *-1.3* | *0.0* | *-2.2* | | | | | *-0.9* |

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

*SL Advisors runs a variety of strategies focused on generating attractive risk-adjusted returns using public equities in long-only and long-short format.*
*Contact us for more information, or go to our website: www.sl-advisors.com*

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.

***Wall Street Potholes: Insights from Top Money Managers on Avoiding Dangerous Products***
**is available for pre-order at Amazon.com.**

Our blog, ***In Pursuit of Value***, is at: http://www.sl-advisors.com/blog/

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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.