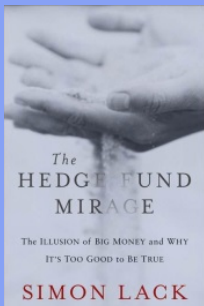




# In Pursuit of Value

March, 2016

*SL Advisors, LLC is an SEC-registered investment advisor offering separately managed accounts to individuals, family offices and institutions.*



#### Contact info:

*SL Advisors, LLC  
210 Elmer Street  
Westfield, NJ  
07090  
908-232-0830  
sl@sl-  
advisors.com  
www.sl-  
advisors.com*

## Straight Answers From Tough Questions

The UK House of Commons has long maintained the tradition of Prime Minister's Question Time, a weekly event in which the Prime Minister (PM) stands before all the other Members of Parliament (MPs) and responds to all manner of pointed, often disrespectful questions. The PM has no warning of what questions will fly his way, although the news cycle provides a strong clue. And he has to think on his feet, literally, since custom requires whoever's addressing the House to stand. It's now televised, making it one of the more gripping shows on C-Span (although the competition is weak). The sight of the country's leader answering for his government's actions to other elected officials is one of the purest forms of democracy anywhere in the world. Former PM Tony Blair confessed to frequent nervousness prior to what was often the most stressful point of the week, although his performances (and there is an element of theatre) rarely betrayed him. There is no equivalent in the U.S. Presidents face sometimes hostile questioning from journalists at press conferences arranged as they see fit. U.S. democracy would be better if it adopted this single feature from the UK.

There have been some memorable quotes over the years. For example, in 1995 PM John Major suffered what he conceded was the best one-liner ever delivered, when Tony Blair (then Leader of the Opposition Labour Party) noted Major's splintered support over Europe from his Conservative Party by stating that, "I lead my party while he follows his." The live audience, which is to say the MPs sitting in the House of Commons, erupted in jeers and laughter. As in America, such soundbites can define the subsequent election.

Every quarter, most public companies hold a conference call following their earnings during which the CEO or perhaps CFO answers questions and provides some additional color on the earnings report just released. We listen to lots of them from companies we're following. While not in the same league as PM's Question Time, these events also occasionally throw up memorable exchanges. Most of the questions come from sycophantic sell-side analysts who lob softball questions to CEOs for fear of causing offense and missing out on future banking business. However, sometimes a real investor gets on the call, and then the dialogue becomes both more interesting and meaningful.

Kinder Morgan's (KMI) CEO Rich Kinder is rarely afraid to speak his mind. Although he's made himself a billionaire, his most famous quote is probably from January 15, 2014 when the company reported earnings from the prior quarter. Kinder took personally the criticism of one bearish analyst by saying, "...you sell, I'll buy and we'll see who comes out the best in the long run." KMI was at the time trading around \$35 which Kinder felt was not reflective of the value in his company. Two years later KMI trades at half this, and if Kinder was running for elected office this single quote would be indelibly linked with his candidacy. However, his protagonist had been bearish on KMI for several months and the stock subsequently traded above \$44 before the collapse in crude oil ultimately bailed out that view. It's invariably easier to hold opinions unburdened by the need to apply them to actual investment decisions, and while the quote was memorable, there was little else for either side to recall fondly in this episode.

More recently, on the January 2016 earnings call, a KMI investor who had evidently invested a couple of years earlier based on the \$2 dividend and its projected 10% growth sought clarification on what he might now expect with a \$0.50 dividend and no forecast growth. KMI management was audibly discomfited by the question, and while there is a positive response that far exceeds a soundbite, the exchange between an investor who feels completely betrayed and the people he holds responsible was a form of shareholder democracy in action.

For those wondering where crude oil prices are headed, Plains All American (PAA) CEO Greg Armstrong offered this, "Without question the entire energy sector is facing a challenging period with future visibility to somewhat upside down. By that, I mean the long-term view is clearer than the short-term. Over the intermediate to long-term, it is very clear that the industry cannot replace production declines or make projected crude oil demand with oil at \$30 per barrel and that the world will need US production growth to balance the market."

ADT, the alarm company recently acquired by Apollo Global Management, provided an amusing exchange between CEO Nareen Gursahaney and Omega Management's founder Leon Cooperman in April 2014. Gursahaney inspired me to write about ADT and the Ham Sandwich Test after Corvex (a hedge fund run by Keith Meister) negotiated a private sale of its large investment back to ADT by utilizing the very stock buyback program Meister had successfully urged the company to adopt. Untroubled by this sudden about-face from the buyback

proponent, Gursahaney later defended the purchase as a good opportunity to acquire a large block of shares. The subsequent fall in the stock price reflected the more insightful view that Meister had played him for a fool. So it was that Leon Cooperman, noting that stock buybacks represented the company's biggest investment, challenged ADT to expand on what type of analysis they were doing: "I'd like to know how much thought is going into your biggest investment." A question that fairly demands a quantitative response of course drew nothing of the kind, further demonstrating ADT's weak command of their capital deployment. It's the kind of question that should be asked more frequently. Two years later, ADT's sale of itself to Apollo took place at a lower price than its share buyback from Corvex. We should all hope that Gursahaney never runs another public company.

CEOs cannot always be relied upon to be completely frank. A real doozy was Devon's (DVN) CEO David Hager when asked if they'd be issuing additional equity, "We've already issued the equity associated with those transactions, the \$1.35 billion... As far as additional equity beyond that, we are focused on our cost reductions. We're focused on the asset sales, on the dividend reduction. I'm not going to take anything off the table as far as a possibility, but we think we've taken some very significant steps to really increase the financial strength of the company with the actions we talked about today." Although this sounds a lot like "No", DVN later that day announced a secondary offering of equity. If Hager tells you it's sunny outside, you'd better check for yourself. This did at least further strengthen DVN's balance sheet, to the benefit of their creditors and suppliers including EnLink Midstream (ENLC).

Many questions are being asked about contract enforceability between an MLP and a struggling E&P customer who might file for bankruptcy protection. When Williams Companies (WMB) CEO Alan Armstrong was asked about this with respect to Chesapeake Energy (CHK), for whom they provide gathering and processing services, he responded like this, "I think if there was a reason for us to negotiate, then, yes, that could be part of a settlement. But the decision really is to accept or reject. And really, our point is if the contract is rejected, then we no longer have an obligation to provide service. And because these assets are built uniquely for these reserves, the ability to duplicate these assets would be, from our vantage point anyway, in most of these cases just would not be feasible to build or duplicate all these facilities in these very heavily – particularly places like the Barnett where it's very heavily populated and very expensive to build in, especially when you've got less reserves than you started with to build the assets in the first place.

"So, anyway, it could come down to a negotiation if there was value to be shared between the parties in a better contract, but our point is just that there isn't any ability to just separate. If somebody accepts the contract, they accept the contract in its whole. And if they reject it, then they take the risk of not being able to get their product moved out of the basin."

Recently David Dehaemers, the CEO of Tallgrass Energy GP, LP (TEGP) has offered up a few gems. He promised to conclude an earnings call by 5pm, ... "so that those of you who rely on Jim Cramer and his lightning round for your MLP advice can make sure to watch him tonight." Dehaemers later characterized "take-or-pay" contracts under which Master Limited Partnerships get paid whether the pipeline capacity is utilized or not: "Our Pony Express contracts are take-or-pay period. We get paid the same amount every month whether the pipeline moves one barrel of oil or moves 300,000 a day. So we get the same amount of money. And so we already have the cash in our pockets at the end of every month. And so what happens is, it just like signing a year lease on an apartment with a little bit of difference right. So if we signed a lease for an apartment for two years and someone paid us every month, but they didn't move in there, we wouldn't really care, we have an apartment it's not been lived in, but we are getting paid anyway." And on valuations in the MLP sector, "Are we undervalued today? Unequivocally, has the market overcooked itself on the downside in my humble opinion? Absolutely."

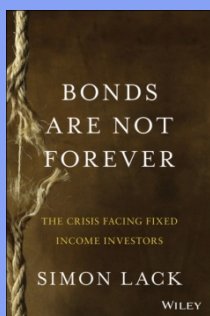
Dehaemers sounds a bit like JPMorgan's CEO Jamie Dimon, whose public [comments](#) are refreshingly clear. On the "London Whale", a credit derivatives trade that went badly wrong in 2012 and ultimately cost over \$6BN, Dimon said at the time, "Just because we're stupid doesn't mean everybody else was."

Winston Churchill provided us with many great quotes, none of which related to Finance but are fun nonetheless. One of my favorites is, "There's nothing more exhilarating than to be shot at and missed." Assuming MLPs eventually return to delivering positive results, the MLP investor who dodged the understandable impulse to sell at various moments of deep depression may well feel like quoting Churchill, one of history's greatest defenders of democracy.

We are invested in ENLC, KMI, TEGP and WMB

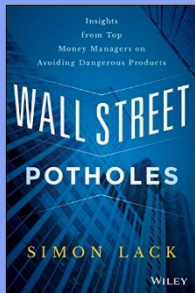
#### Upcoming *Wall Street Potholes* Presentations

On Monday, March 14<sup>th</sup> at 6:15pm, at the Hilton Hasbrouck Heights, Hasbrouck Heights, NJ, I'll be giving a [presentation](#) on my new book to the American Association of Independent Investors, Northern New Jersey Chapter. There is a modest entry fee. I'll also be giving a similar [presentation](#) on Wednesday, March 23<sup>rd</sup> at 7pm at the Westfield Memorial Library, Westfield, NJ. Attendance is free.



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

A book written by Wall Street insiders that reveals how unsuspecting individual investors are often steered towards high-fee investment products that deliver poor results.



Everyone who relies on others for financial advice should read this book so they can ask the tough questions that will help them achieve better investment results at less cost.

## Performance Tables

### Midstream Energy Infrastructure

#### (General Partner Focused)

	MLP Strategy (K-1s)						Since Inception 72%				Index 44%		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>2008</b>	-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
<i>Index</i>	-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
<b>2009</b>	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
<i>Index</i>	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
<b>2010</b>	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
<i>Index</i>	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
<b>2011</b>	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
<i>Index</i>	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
<b>2012</b>	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
<i>Index</i>	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
<b>2013</b>	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
<i>Index</i>	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
<b>2014</b>	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
<i>Index</i>	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
<b>2015</b>	-3.0	5.8	-0.9	4.9	-2.5	-4.8	-4.9	-6.1	-17.4	6.1	-8.2	-14.3	-39.0
<i>Index</i>	-3.1	2.1	-4.2	6.2	-3.6	-8.3	-3.2	-5.0	-15.3	9.7	-8.1	-3.6	-32.6
<b>2016</b>	-11.9	0.9											-11.2
<i>Index</i>	-11.1	-0.5											-11.5

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.

	Energy Infrastructure Strategy (1099s)						Since Inception -37%				Index -33%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
<b>2013</b>								1.2	0.8	4.2	-0.3	6.2	12.5
<i>Index</i>								-0.5	2.3	2.7	0.9	1.6	5.3
<b>2014</b>	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
<i>Index</i>	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
<b>2015</b>	-6.7	5.7	1.8	4.2	-5.3	-2.0	-6.8	-10.2	-15.5	5.4	-12.8	-18.1	-48.2
<i>Index</i>	-3.1	2.1	-4.2	6.2	-3.6	-8.3	-3.2	-5.0	-15.3	9.7	-8.1	-3.6	-32.6
<b>2016</b>	-4.1	-1.3											-5.3
<i>Index</i>	-11.1	-0.5											-11.5

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)**

**Low Volatility Strategies**

Low Vol Long Only						Since Inception					51%	Index		50%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	
<b>2012</b>								0.2	1.9	0.0	1.0	-0.2	2.9	
<i>Index</i>								-0.9	1.7	-0.1	-0.2	-0.5	0.0	
<b>2013</b>	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	
<i>Index</i>	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	
<b>2014</b>	-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	
<i>Index</i>	-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	
<b>2015</b>	-1.4	2.9	1.8	-1.2	-0.6	-2.2	2.7	-4.4	-1.0	6.0	-2.1	-0.4	-0.2	
<i>Index</i>	-0.4	1.5	-0.3	-2.0	0.9	-1.8	4.3	-4.9	-0.4	6.8	1.1	-0.1	4.3	
<b>2016</b>	1.3	1.5											2.8	
<i>Index</i>	-1.7	1.0											-0.7	

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

Low Vol Hedged					Since Inception					33%	Index 5%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
<b>2011</b>										0.3	0.3	3.6	4.3
<i>Index</i>										0.6	-0.2	0.2	0.6
<b>2012</b>	-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
<i>Index</i>	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
<b>2013</b>	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
<i>Index</i>	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
<b>2014</b>	-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
<i>Index</i>	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
<b>2015</b>	-0.1	-0.1	2.8	-2.0	-1.1	-1.0	2.0	-1.2	1.0	1.6	-1.9	1.5	1.3
<i>Index</i>	0.1	0.5	1.0	-1.5	-0.4	1.1	1.4	0.2	2.0	1.1	-0.5	0.3	5.5
<b>2016</b>	3.6	1.4											5.0
<i>Index</i>	-0.2	-1.4											-1.6

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

Low Vol Best Ideas						Since Inception					98%	Index		-8%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	
<b>2011</b>			-3.6	19.4	6.5	4.6	0.1	9.2	-1.0	6.8	2.0	1.6	53.6	
<i>Index</i>			-0.9	0.5	-1.4	-1.6	-0.1	-3.5	-3.0	0.8	-0.9	-0.4	-10.0	
<b>2012</b>	-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	
<i>Index</i>	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	
<b>2013</b>	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	
<i>Index</i>	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	
<b>2014</b>	-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	
<i>Index</i>	-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	
<b>2015</b>	-1.2	0.0	2.1	-1.2	-2.9	-2.8	0.3	-0.4	-2.7	-3.4	-6.6	-0.2	-17.7	
<i>Index</i>	-0.3	2.0	0.3	0.2	0.3	-1.3	0.0	-2.2	-2.1	1.5	-0.7	-1.3	-3.6	
<b>2016</b>	2.1	3.5											5.7	
<i>Index</i>	-2.8	-0.4											-3.1	

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](http://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 Low Vol Long Only Strategy**

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. 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 Low Vol Hedged Strategy**

An alternative to bonds, this strategy combines the Low Vol Long Only Strategy 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 Low Vol Best Ideas Strategy**

Low Beta Long-Short is more concentrated than Low Vol Hedged with added leverage and is not restricted to dividend paying stocks. It includes our best ideas from Low Vol 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 at [Amazon.com](http://Amazon.com).

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

Follow us on **Twitter** @SimonLack

#### *Contact info:*

*SL Advisors, LLC  
210 Elmer Street  
Westfield, NJ 07090-  
2128  
908-232-0830  
[sl@sl-advisors.com](mailto:sl@sl-advisors.com)  
[www.sl-advisors.com](http://www.sl-advisors.com)*

## 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.

### **Low Vol Long Only Strategy**

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 Low Vol Long Only 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 Low Vol Long Only strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

### **Low Vol Hedged Strategy**

Returns for the Low Vol Hedged 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 Low Vol Hedged 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 Low Vol Hedged which seeks to generate returns while remaining uncorrelated with equities. The DJ Corporate Bond Index is presented as the manager believes Low Vol Hedged 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.

### **Low Vol Best Ideas**

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 Vol Best Ideas 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 Low Vol Best Ideas 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.