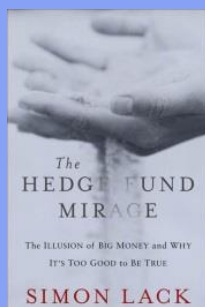




In Pursuit of Value

September, 2016

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



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How Expensive Are Stocks?

What if stocks aren't expensive at current levels? What if bond yields aren't going to rise anytime soon? As we noted in a blog post a couple of weeks ago (see [The Shrinking Pool of Cheap Assets](#)), markets are inexorably drifting higher as investors seek the possibility of returns above inflation. Meanwhile, the view that equity markets are due for a slump draws more adherents as it increasingly looks as if we're priced for perfection.

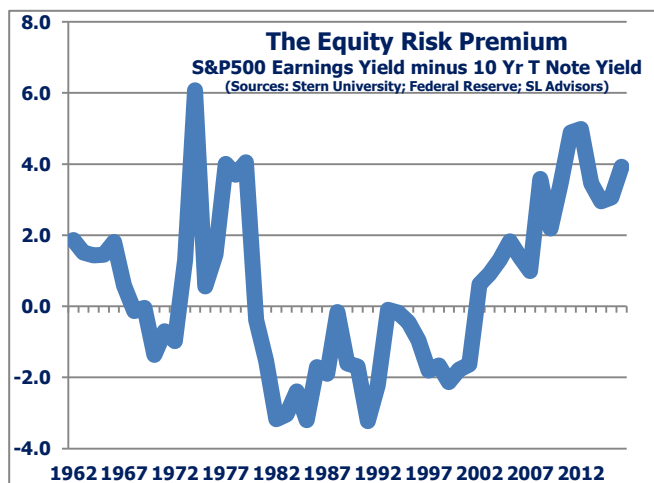
We don't know where stocks will go. There will most assuredly be another 10-20% drop at some point and it'll probably come about because of something few expected. But you can't really evaluate stocks without considering interest rates, since equity investors always have a choice.

Investing is all about choices. At its most fundamental, it reflects the choice to defer consumption today in order to save for tomorrow. Successful investing allows greater consumption in the future. Investing also requires making choices across asset classes. It's meaningless to describe something as cheap without comparing it with something else.

Our October 2010 [newsletter](#) was when we first wrote about the Equity Risk Premium (ERP), comparing the S&P500 earnings yield with the yield on ten year treasuries. The earnings yield isn't a perfect metric because some portion of most companies' earnings is reinvested for growth. But assuming the portion of such reinvested earnings doesn't fluctuate much (admittedly a non-trivial assumption), this does allow for a long-term perspective of relative valuation. Back in 2010 we inferred from the historically wide spread that stocks were cheap relative to bonds (the S&P500 closed 2010 at 1,256 and ten year treasuries at 3.85%). Since then both asset classes have delivered positive total returns, with bonds¹ generating 5.6% p.a. and stocks 15.3%. Remember the "lost decade" of 2000-10 when equity returns were essentially flat? In 2000 the ERP was -1.8%, reflecting that equities were expensive compared with bonds.

This year the ERP has moved in favor of stocks. Bond yields have dropped, further lessening their appeal, and S&P earnings growth of 12.5% has outpaced the market's return, driving down the P/E slightly (P/E is the inverse of earnings yield).

The case against stocks is their still relatively elevated P/E ratio, currently at around 18.2 for 2016 estimated earnings. But alternatives to stocks are not cheap, which is why the ERP makes stocks look attractive. Interest rates are artificially low, and a return to normalcy would render stocks less appealing. Rising rates have been widely expected for many years. Since 2010, when the Fed began

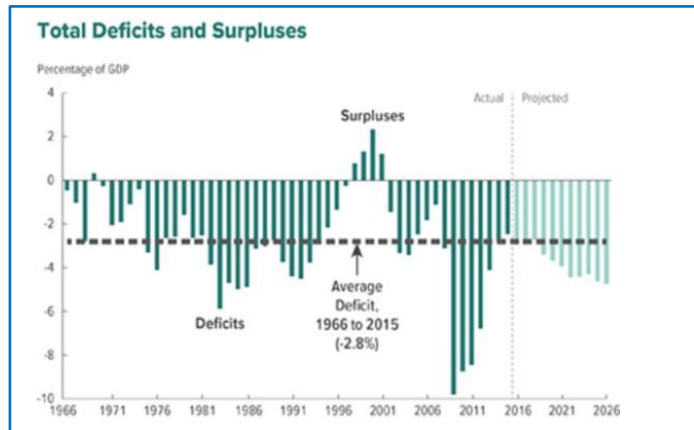


¹ Bonds are defined here as the Dow Jones Corporate Bond Index

making public their expected path for short term rates, we've learned to live more or less permanently with an expectation of a near term tightening. It has been often promised and rarely delivered. The economy is better for it.

Ask yourself, what's the difference between (1) a policy of stealth default by setting interest rates on our debt too low to cover inflation after taxes, and (2) current monetary policy? The answer is, very little beyond the absence of rhetoric describing current policy in this way. It's true Janet Yellen didn't speak in Jackson Hole about the economic benefits of maintaining low rates to ease the burden of an overly indebted society, but her actions are indistinguishable from such a philosophy. We needn't concern ourselves about the rightness of this approach, merely its likely path going forward. Fitch [calculated](#) annual savings of over \$500BN for sovereign issuers compared with the interest rates that prevailed five years ago. Budget deficits everywhere are substantially diminished as a result.

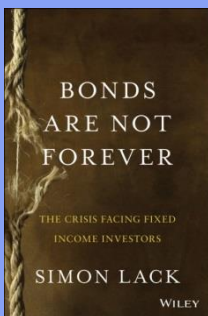
The current U.S. Federal budget deficit will probably be the best news on this topic for a long time to come. The Congressional Budget Office (see chart) forecasts that on current tax and spend policies the burden of under-financed entitlements for retiring baby boomers will cause the budget deficit to start widening again.



The complete absence of the deficit as an election issue portends little likelihood of any action. Both Federal and household debt as a percentage of GDP have been falling since the 2008 financial crisis, testament to the success of monetary and fiscal policy. Low rates have helped bring this about. You could argue that negative real rates are in our national interest, as long as lenders can be persuaded to accept such indefinitely. Some worry about a spike in bond yields caused by foreign sellers tiring of the self-interested debtor denying them better terms. China and Japan each own more than \$1TN worth. But this seems unlikely, because they couldn't sell meaningful amounts without driving prices sharply lower, and they own such large quantities because of a dearth of choices. These investors are clearly not that demanding of a fair return on their capital.

While the Fed will eventually deliver a second hike, the path towards neutral (which they define as a Fed Funds rate of 3%) is likely to be lengthy. Suppose ten year treasury yields double in a year's time to this neutral 3%, as investors build in some risk premium against the possibility of faster rate hikes? According to FactSet, 2017 S&P Earnings are forecast to grow by 10%. So an unchanged S&P would mean a P/E of 16.6 by then and, coincidentally, an ERP also of 3.0%, only modestly lower than today's. Stocks would still look attractive compared with bonds. The average ERP over 50 years is 0.6%. That includes twenty years during which it was negative, something that doesn't seem plausible with today's low interest rates. But under such circumstances even an ERP of 2.0%, a level it's exceeded for less than a quarter of the past 55 years, would cause the S&P500 to be at 2,625, 20% higher than it is today. 3% treasury yields and an ERP of 1.5% (still almost 1% above the long term average) would imply an S&P earnings yield of 4.5%, therefore a P/E of 22.2, and an S&P500 of 2,918. And what if interest rates don't double as the preceding example assumes?

The point here is not to make a forecast, but to highlight the vulnerability of the bearish case to continued low interest rates. Economic shocks will occur and by definition they're hard to forecast. But if the Fed maintains its benignly lethargic monetary policy, 3% ten year yields with consensus earnings growth could result in meaningfully higher stock prices. It's rarely comfortable to be bullish at the highs, but the Math shows the discomfort that may face those in the future who are under-invested in stocks today.



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

Performance Tables

Midstream Energy Infrastructure

(General Partner Focused)

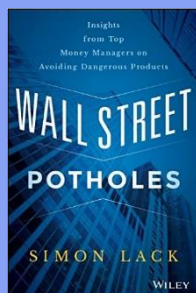
MLP Strategy (K-1s)							Since Inception 146%				Index 85%		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2008	-0.6	3.1	-0.7	2.0	4.2	-10.6	-1.9	0.7	-14.9	-1.0	-22.0	2.9	-35.5
<i>Index</i>	<i>-0.6</i>	<i>-0.5</i>	<i>-6.3</i>	<i>7.3</i>	<i>1.0</i>	<i>-4.9</i>	<i>-1.7</i>	<i>1.7</i>	<i>-17.2</i>	<i>-0.1</i>	<i>-17.1</i>	<i>-3.7</i>	<i>-36.9</i>
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
<i>Index</i>	<i>15.3</i>	<i>-4.2</i>	<i>0.7</i>	<i>11.0</i>	<i>9.3</i>	<i>-1.7</i>	<i>12.4</i>	<i>-3.2</i>	<i>4.8</i>	<i>2.9</i>	<i>6.4</i>	<i>6.6</i>	<i>76.4</i>
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
<i>Index</i>	<i>0.6</i>	<i>4.6</i>	<i>2.9</i>	<i>3.4</i>	<i>-5.4</i>	<i>5.6</i>	<i>7.5</i>	<i>-2.5</i>	<i>6.1</i>	<i>5.4</i>	<i>1.9</i>	<i>1.7</i>	<i>35.9</i>
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
<i>Index</i>	<i>3.0</i>	<i>3.5</i>	<i>-0.6</i>	<i>3.3</i>	<i>-5.0</i>	<i>1.1</i>	<i>-1.9</i>	<i>-1.1</i>	<i>-4.1</i>	<i>10.3</i>	<i>-0.2</i>	<i>5.8</i>	<i>13.9</i>
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
<i>Index</i>	<i>1.9</i>	<i>4.2</i>	<i>-4.0</i>	<i>2.2</i>	<i>-7.5</i>	<i>3.3</i>	<i>5.1</i>	<i>1.6</i>	<i>2.0</i>	<i>0.5</i>	<i>-0.8</i>	<i>-3.1</i>	<i>4.8</i>
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
<i>Index</i>	<i>12.6</i>	<i>0.9</i>	<i>5.4</i>	<i>0.9</i>	<i>-2.0</i>	<i>3.1</i>	<i>-0.5</i>	<i>-2.5</i>	<i>2.3</i>	<i>2.7</i>	<i>0.9</i>	<i>1.6</i>	<i>27.6</i>
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
<i>Index</i>	<i>0.6</i>	<i>-0.2</i>	<i>1.5</i>	<i>4.3</i>	<i>3.4</i>	<i>5.9</i>	<i>-3.5</i>	<i>8.2</i>	<i>-1.6</i>	<i>-4.6</i>	<i>-2.6</i>	<i>-5.6</i>	<i>4.8</i>
2015	-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>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>	<i>6.2</i>	<i>-3.6</i>	<i>-8.3</i>	<i>-3.2</i>	<i>-5.0</i>	<i>-15.3</i>	<i>9.7</i>	<i>-8.1</i>	<i>-3.6</i>	<i>-32.6</i>
2016	-11.9	1.0	8.5	14.8	4.5	4.8	1.0	3.6					26.9
<i>Index</i>	<i>-11.1</i>	<i>-0.5</i>	<i>8.3</i>	<i>11.0</i>	<i>2.5</i>	<i>5.1</i>	<i>0.6</i>	<i>-1.3</i>					<i>13.8</i>

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 -5%				Index -14%		
	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
<i>Index</i>								<i>-0.5</i>	<i>2.3</i>	<i>2.7</i>	<i>0.9</i>	<i>1.6</i>	<i>5.3</i>
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
<i>Index</i>	<i>0.6</i>	<i>-0.2</i>	<i>1.5</i>	<i>4.3</i>	<i>3.4</i>	<i>5.9</i>	<i>-3.5</i>	<i>8.2</i>	<i>-1.6</i>	<i>-4.6</i>	<i>-2.6</i>	<i>-5.6</i>	<i>4.8</i>
2015	-6.7	5.7	1.8	4.2	-5.3	-2.0	-6.8	-10.2	-15.5	5.4	-12.8	-18.3	-48.3
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>	<i>6.2</i>	<i>-3.6</i>	<i>-8.3</i>	<i>-3.2</i>	<i>-5.0</i>	<i>-15.3</i>	<i>9.7</i>	<i>-8.1</i>	<i>-3.6</i>	<i>-32.6</i>
2016	-4.5	-0.7	10.8	12.2	5.7	6.9	0.2	6.1					41.6
<i>Index</i>	<i>-11.1</i>	<i>-0.5</i>	<i>8.3</i>	<i>11.0</i>	<i>2.5</i>	<i>5.1</i>	<i>0.6</i>	<i>-1.3</i>					<i>13.8</i>

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

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 (Continued)

Low Volatility Strategies

Low Vol Long Only							Since Inception				70%	Index			67%
	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		
<i>Index</i>								-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		
<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		
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		
<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		
2015	-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		
2016	1.3	1.6	5.5	0.2	2.4	7.5	-0.9	-2.0					16.4		
<i>Index</i>	-1.7	1.0	6.0	-0.7	1.7	5.7	0.3	-1.9					10.6		

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					39%	Index			2%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
2011										0.3	0.3	3.6	4.3		
<i>Index</i>										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		
<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		
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		
<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		
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		
<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		
2015	-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		
2016	3.6	1.4	2.2	-0.6	1.2	7.5	-2.7	-2.6					9.9		
<i>Index</i>	-0.2	-1.5	-0.8	-1.9	0.4	-1.0	1.2	-0.3					-4.1		

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

Low Vol Best Ideas						Since Inception					123%	Index			-4%
	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		
<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		
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		
<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		
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		
<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		
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		
<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		
2015	-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		
2016	2.1	3.5	2.9	1.2	2.1	7.4	-1.5	-0.1					18.7		
<i>Index</i>	-2.8	-0.3	1.8	-0.1	0.5	0.2	1.5	0.3					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 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://www.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.

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. 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.