



In Pursuit of Value

July, 2017

Falling Dominoes

"Rusty" Brazier runs RBN Energy, a firm that provides very useful research on production trends in U.S. hydrocarbons. Their website maintains a regular blog and also offers deeper analysis on specific topics. They reach over 20,000 industry executives, and we find many useful insights in their work.

[The Domino Effect: How the Shale Revolution is Transforming Energy Markets, Industries and Economics](#) was published early last year, coincidentally just a few weeks prior to the low in the energy sector's bear market that was largely due to U.S. hydrocarbon output. Like his blog posts, Rusty's book is well researched and highly engaging. He describes events as dominoes falling against one another in a seemingly inevitable sequence. The first domino was caused by improvements in technology that drove significantly enhanced returns from shale-sourced natural gas production. The consequent abundance drove the price of natural gas lower, inducing Exploration and Production (E&P) companies to switch to more profitable Natural Gas Liquids (NGLs), which were often found with or nearby "dry" natural gas. Lower prices followed for NGLs, and activity then shifted to crude oil. The resulting increase in U.S. production drew the world's attention to the Shale Revolution as crude slumped in 2014-15.

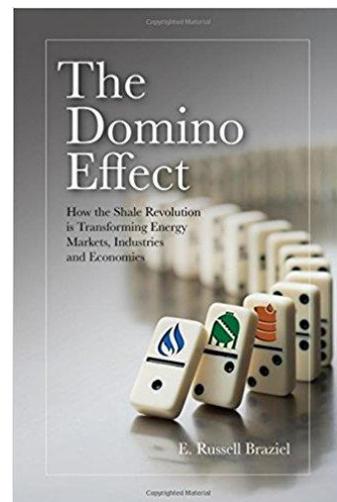
The dominoes continued, creating a resurgence in U.S. petrochemical investments funded by cheap inputs such as ethane, an NGL. Liquefied Natural Gas (LNG) import facilities were converted to export, since U.S. natural gas prices fell to among the lowest in the world. The book's explanation of events as inevitably linked provides a compelling framework with which to examine huge shifts in world energy markets.

There is some interesting history; in 1942 the success of German U-boats at sinking oil tankers traveling from the Gulf Coast to New York harbor prompted the rapid construction of pipelines from Texas up to Philadelphia and New York. One of those pipelines, dubbed "Big Inch" because of its 24 inch diameter (double the diameter of the largest to date), was converted from a crude line after the war to carry natural gas. Today it is the TETCO pipeline operated by Enbridge (ENB). Another, smaller pipeline from the same era named Little Big Inch carried refined products. It's now the Products Pipeline System (formerly known as TEPPCO) and is run by Enterprise Products Partners (EPD). These represent compelling examples of the longevity of pipelines, showing that properly maintained infrastructure that's still in demand can steadily appreciate in spite of GAAP accounting that allows for depreciation.

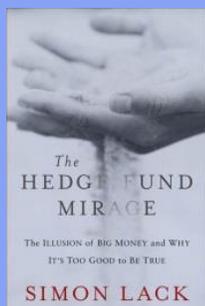
Pipeline operators handle the differing quality of crude oil and mixed NGLs from their many customers by operating a "quality bank". This values the difference between what a specific customer puts into the pipeline versus the "common stream" of mixed products, creating offsetting debits and credits that allow more efficient utilization. Because natural gas pipelines typically require a fairly pure input with limited impurities, these operate differently. The homogeneity of natural gas makes it fungible, allowing a shipper to put produced gas into a network and receive immediate credit for it at the other end without waiting for the actual molecules to travel the distance.

A handy comparison of the different volumes of natural gas and crude oil consumed in America every day calculates how many times they would fill the Empire State Building. Natural gas (in the gaseous state in which it's typically moved) would fill that space 1,917 times, compared with only 2.4 times for crude. We often write that energy infrastructure is primarily a natural gas business.

We have written about the Rockies Express (REX) gas pipeline now owned by Tallgrass Energy Partners (TEP; see [Tallgrass Energy is the Right Kind of MLP](#)). *The Domino Effect* recounts the original construction of REX by Kinder Morgan (KMI), completed in 2009, as it moved natural gas from the Rocky Mountains to the gas-starved (as it was then) northeastern U.S. One of many consequences of the Shale Revolution has been TEP's successful reversal of REX to supply Midwestern customers with natural gas from Pennsylvania and Ohio. Pipelines typically resolve regional price differentials caused by relative abundance and scarcity. Prior to REX, Rockies natural gas languished as low as \$0.05 per thousand cubic feet (MCF) before leaping to \$9 in 2009 when connected to other markets.



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](mailto:sl@sl-advisors.com)
[www.sl-
advisors.com](http://www.sl-advisors.com)*

Coming after the book's publication but consistent with the domino theme, OPEC conceded the inevitability of continued U.S. crude production late last year when they agreed on production cuts (see [OPEC Blinks](#)). Recent developments appear increasingly inevitable as presented by Rusty, and he provides a solid foundation for those who believe that the cheap, secure resources unlocked by American know-how are unambiguously good.

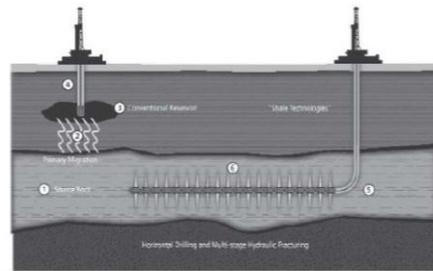


Figure 4.4. Horizontal drilling and multi-stage hydraulic fracturing

Reproduced with kind permission from RBN Energy, LLC

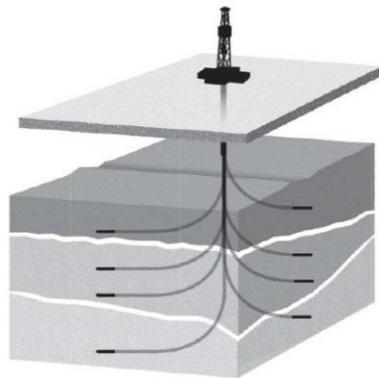


Figure 4.5. Pad drilling

This interpretation of recent history combines easily with very useful explanations of how hydrocarbons are extracted, moved and refined. Readers get the macro analysis along with an understanding of the basics of drilling. One helpful picture (see left) reveals the main difference between a conventional well and a shale one. Hydrocarbons originate in porous rock, and have historically been extracted where they migrate underground to an open subterranean cavity where a vertical drill can reach them. The Shale Revolution taps directly into the original porous rock, allowing access to reserves that were previously known but inaccessible. Moreover, certain formations such as the Permian consist of multiple layers, allowing pad drilling with multiple wells which has led to dramatic improvements in efficiency.

The final three chapters look ahead to the geopolitical implications of the Shale Revolution. America is the clear winner. The most obvious losers are the members of OPEC, whose oil revenues are destined to be substantially lower even while they also cede market share through reduced exports to North America. It's quite possible that the U.S. will be less engaged in the Middle East as our energy reliance subsides, a development that most Americans will cheer.

pipeline maintenance is synchronized with political objectives. But the U.S. petrochemical industry is likely to benefit at Europe's expense from cheap, local NGL feedstocks. The decline in European oil production will probably accelerate. Crude oil and natural gas get the headlines, but NGLs are an under-appreciated success story too. For example, exports of propane (what fuels your barbecue) have jumped well over tenfold since 2010.

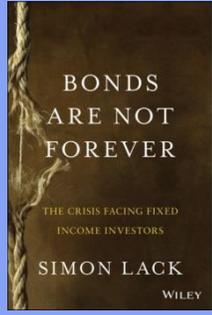
Russia will increasingly find the U.S. is a competitor in energy markets, exposing that country's relatively undiversified economy (60% of Russian exports are oil and gas).

A minor quibble is Rusty's assertion that America invented representative democracy ("another global revolution") around 240 years ago. This overlooks the Greek origin of the word as well as that history didn't start in 1776. But we'll forgive the Texan hyperbole because there's so much else in the book that's worth reading for anybody interested in the Shale Revolution.

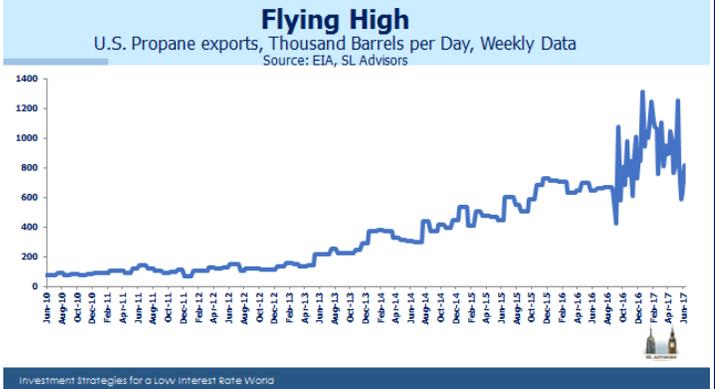
We are invested in ENB, EPD and Tallgrass Energy GP (TEGP, the GP of TEP)

To Our Clients

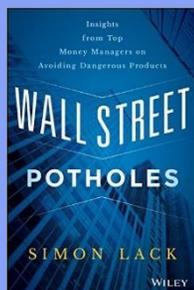
At SL Advisors it's important to us that your investments with us are aligned with your financial situation and objectives. If there have been any relevant changes from your perspective or any reasonable restrictions you wish to impose, please let us know and we'll be happy to discuss appropriate modifications. Of course, anytime you have any questions or concerns don't hesitate to contact us. We value your business, and never forget the faith you have placed in us as stewards of your capital.



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.



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 157%				Index 87%		
	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	-6.1	-17.4	6.1	-8.2	-14.3	-39.0
Index	-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
2016	-11.9	1.0	8.5	14.8	4.5	4.8	1.0	3.5	5.6	-6.8	7.4	5.1	40.8
Index	-11.1	-0.5	8.3	11.0	2.5	5.1	0.6	-1.3	1.9	-4.5	2.3	4.4	18.3
2017	0.7	0.2	0.9	-2.9	-5.7	1.2							-5.7
Index	4.9	0.4	-1.3	-1.3	-4.5	-0.6							-2.7

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 -4%				Index -13%		
	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	-10.2	-15.5	5.4	-12.8	-18.3	-48.3
Index	-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
2016	-4.5	-0.7	10.8	12.2	5.7	6.9	0.1	6.1	10.6	-5.4	6.2	2.1	60.5
Index	-11.1	-0.5	8.3	11.0	2.5	5.1	0.6	-1.3	1.9	-4.5	2.3	4.4	18.3
2017	-1.6	-1.0	0.8	-3.8	-6.8	1.8							-10.3
Index	4.9	0.4	-1.3	-1.3	-4.5	-0.6							-2.7

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				83%	Index			82%
	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	1.5	1.6	5.4	0.1	2.4	7.5	-0.7	-2.0	0.5	-2.4	1.4	2.7	19.1		
<i>Index</i>	-1.7	1.0	6.0	-0.7	1.7	5.7	0.3	-1.9	-1.0	-2.2	0.5	2.6	10.4		
2017	0.8	3.7	0.5	-0.5	0.9	-0.5							4.9		
<i>Index</i>	0.7	4.5	-0.1	1.1	2.7	-0.3							8.9		

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				40%	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	-2.5	-0.1	-1.4	-0.9	2.3	9.9
<i>Index</i>	-0.2	-1.5	-0.8	-1.9	0.4	-1.0	1.2	-0.4	0.4	-0.1	0.0	-1.1	-5.1
2017	-0.4	2.3	0.5	-1.0	0.1	-1.1							0.4
<i>Index</i>	0.7	0.0	0.7	0.1	-1.5	0.6							0.7

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

Low Vol Best Ideas							Since Inception				114%	Index 0%		
	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	-3.2	0.4	-1.5	2.6	16.5	
<i>Index</i>	-2.8	-0.3	1.8	-0.1	0.5	0.2	1.5	0.2	0.6	-0.6	0.9	0.9	2.5	
2017	0.4	1.7	-1.1	-1.7	1.0	-2.6							-2.3	
<i>Index</i>	0.5	1.2	0.0	0.4	0.2	0.4							2.7	

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.

The Hedge Fund Mirage; The Illusion of Big Money and Why It's Too Good To Be True

Bonds Are Not Forever; The Crisis Facing Fixed Income Investors

and

Wall Street Potholes: Insights from Top Money Managers on Avoiding Dangerous Products

are all available at 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
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.