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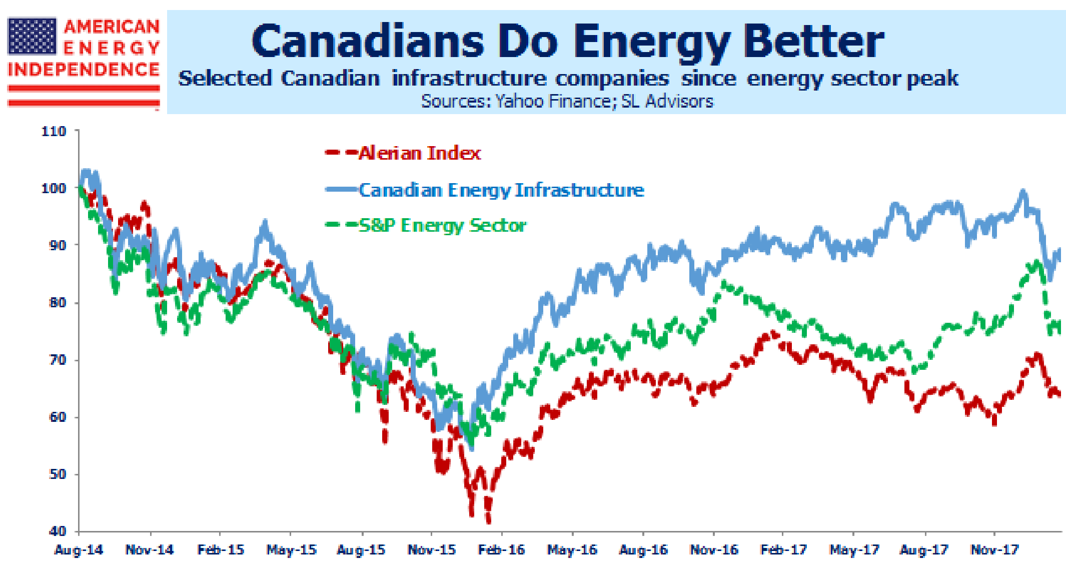
In Pursuit of Value

March, 2018

Send in the Canadians!

August 2014 was the peak in the U.S. energy sector, as long time investors know too well. The Alerian MLP Index remains down by more than a third, and larger firms are increasingly abandoning the structure to become regular corporations ("C-corps"). The Shale Revolution has tested the old model of paying out 90% or more of cashflow. It worked when growth opportunities were limited, but nowadays every MLP has identified profitable areas in which to invest. Secondary offerings, how growth is financed, have found MLP investors to be unenthusiastic about reinvesting their dividends. This has in turn depressed MLPs as they've issued equity to unwilling buyers in order to finance their growth plans. "Simplification" which generally involves conversion to a C-corp with adverse tax consequences for existing MLP equity holders, allows access to a far broader set of investors. The hope is that they'll be more willing to finance the growth opportunities presented by the Shale Revolution.

Given the resurgence in U.S. hydrocarbon production in recent years, weakness in the sector that provides transportation, processing and storage was not inevitable. The famous "toll-model" of MLPs should have simply meant that more volumes meant more tolls. One might have expected the exploration and production companies to over-reach in their giddy search for more fossil fuels. There's a good reason for the old saying, give an oilman a dollar and he'll drill a well. We'd add, give a pipeline operator a dollar and he'll build another pipeline. MLPs have often sought growth with irrational exuberance. Rising leverage, distribution cuts and broken promises followed. Many concluded that the MLP model was broken; in fact, the MLP model was fine but not suited to financing a growth business. Energy infrastructure used to be synonymous with MLPs, but so many have abandoned the structure that the Alerian MLP Index is no longer representative.



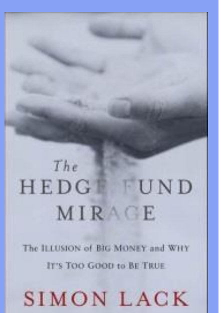
Canadian energy infrastructure companies have been run differently, and the chart above shows how the three largest firms (Enbridge, Pembina and TransCanada) have outperformed their U.S. peers. During the 2008 financial crisis, conservative management of Canadian banks generally helped them avoid the excesses that plagued some large U.S. ones. The same Scottish Presbyterian cultural roots appear to have similarly protected Canadian energy companies.

Canada doesn't have MLPs, so Canadian energy infrastructure businesses are organized as conventional C-corps.

Comparing the three Canadians with their U.S. U.S. C-corp peers, their leverage (Debt/EBITDA) is in line at around 4.9X. On an Enterprise Value/EBITDA (EV/EBITDA) basis, they're slightly higher than the median U.S. C-corp at 13X versus 12X. And they're expected to grow their dividends at around 10% this year.

The big difference is that the Canadians have achieved this without becoming over-leveraged, with the consequent cutting of dividends. Some U.S. MLPs converted to C-corps, in effect cutting payouts by merging with their C-corp GP. Others, such as Kinder Morgan three years ago, simply cut. Broadly speaking, Canadian management teams have behaved more conservatively and been more mindful of commitments made to their dividend-seeking investor base. With few exceptions, American managements have not.

The Shale Revolution has been a U.S. phenomenon; Canada has very little such activity, with its oil production centered on tar sands, a more expensive process that requires the same type of long-term capital commitments as the conventional oil business. But the North American pipeline network is highly integrated. Enbridge (ENB) demonstrated this by acquiring Spectra Energy two years ago, greatly increasing their U.S. network in the northeast. TransCanada (TRP) purchased Columbia Pipeline Group in an all cash deal, gaining a leading natural gas position in the rapidly growing Marcellus and Utica that links all the way down to the Gulf Coast. Not to be left out, Pembina (PBA) combined with Veresen, expanding their Bakken presence and gaining exposure to the U.S Rockies. So Canadian firms have been expanding their U.S. operations, but their greater financial discipline has enabled them to avoid imprudent growth. PBA in their most recent investor presentation on Slide 18 lists "Financial Guard Rails" which includes 80% of EBITDA from fee-based sources and maintaining an investment grade rating.



American management teams have been more risk-oriented in reaching for growth, and the results have largely fallen short of expectations. Last April, undaunted by not having $1.5B, NuStar Energy (NS) spent $1.5BN to acquire Navigator Energy's Permian oil infrastructure network. In their 4Q17 earnings call management commented that Navigator's EBITDA contribution was $14.5M for the quarter, yet they expect to spend another $240M building it out in 2018. Hence the continued need for additional capital. Recently NuStar duly merged their General Partner with their MLP (simplified), which led to a distribution "reset" (cut). They sought growth over stability, and so far have achieved neither.

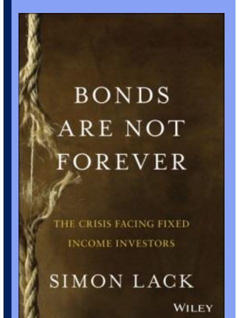
NS was simply one of the most recent in an ignominious history of American energy businesses that have failed to achieve what they promised. Kinder Morgan led the way in 2014, when they chose their growth plans over continuing stable distributions. Williams Companies (WMB), Plains All American (PAGP), Targa Resources (TRGP), Semgroup (SEMG) and Oneok (OKE) have all diverted cash from investors to new projects. Macquarie Infrastructure (MIC) remains the most brazen. As we noted in a recent blog post (Canadians Reward Their Energy Investors), when the company recently slashed its dividend after raising it the prior quarter, the CEO said it was necessary in order to pursue their growth agenda.

Warren Buffett was on CNBC the other morning, and when Becky Quick asked him if Berkshire would consider paying a dividend, he replied, "…dividends have the implied promise that you keep paying them forever and not decrease them.." U.S. energy infrastructure managers clearly feel differently.

Canadian energy infrastructure businesses have outperformed their U.S. peers because they've remained true to their original investors. They haven't pursued imprudent growth, and they haven't forgotten why their investors own their stock. MLP investors can no longer rely on a security's yield because it's become standard market practice to cut it either directly, or indirectly through a simplification. The older, wealthy Americans who were the quintessential long term MLP investor are gradually being replaced by institutions, because C-corps are an increasing portion of the energy infrastructure sector. Canadian firms are among the best managed, and so far they've been more adept at exploiting the Shale Revolution than U.S. firms.

This is why we created the American Energy Independence Index. By including Canadian companies and limiting MLPs to 20%, it's more representative of U.S. energy infrastructure as well as conducive to being tracked by tax-efficient funds. The good news is that if American firms start being run like the Canadian ones, they could see a valuation uplift. The broad energy sector is out of favor, and given the positive tailwinds of growing North American oil and gas output there's certainly plenty of upside. But the original MLP investors are unlikely to participate – they've been too badly let down. This remains the simplest and most plausible explanation for continued weakness. February was the worst month since January 2016, following which a strong rally ensued. Valuations, fundamentals and sentiment are sufficient to cause a repeat.

We are invested in ENB, KMI, NSH, OKE, PAGP, PBA, SEMG, TRP and WMB



Performance Tables
Midstream Energy Infrastructure
(General Partner Focused)

MLP Strategy (K-1s)							Since Inception 130%				*Index*		*72%*
	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**	**0.8**	**-3.4**	**2.1**	**-5.8**	**-2.2**	**6.8**	**-7.9**
Index	*4.9*	*0.4*	*-1.3*	*-1.3*	*-4.5*	*-0.6*	*1.3*	*-4.9*	*0.7*	*-4.1*	*-1.4*	*4.8*	*-6.5*
2018	**3.0**	**-11.4**											**-8.7**
Index	*5.8*	*-9.7*											*-4.5*

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.

Midstream Energy Infrastructure (Continued)

Energy Infrastructure Strategy (1099s)							Since Inception			-12%	*Index*		*-20%*
	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**	**-3.2**	**-6.7**	**1.9**	**3.7**	**-4.3**	**2.8**	**-6.1**	**-0.6**	**5.8**	**-9.1**
Index	*4.9*	*0.4*	*-1.3*	*-1.3*	*-4.5*	*-0.6*	*1.3*	*-4.9*	*0.7*	*-4.1*	*-1.4*	*4.8*	*-6.5*
2018	**-0.2**	**-9.4**											**-9.6**
Index	*5.8*	*-9.7*											*-4.5*

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

Low Volatility Strategies

Low Vol Long Only							Since Inception		84%	*Index*		*93%*
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**Jul y**	**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**	**-1.0**	**6.0**	**-2.1**	**-0.4**	**-0.2**
Index	*-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**
Index	*-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**	**2.2**	**-1.6**	**0.5**	**-0.9**	**2.3**	**2.6**	**10.1**
Index	*0.7*	*4.5*	*-0.1*	*1.1*	*2.7*	*-0.3*	*1.4*	*0.9*	*0.8*	*1.9*	*3.9*	*-1.1*	*17.4*
2018	**2.2**	**-6.1**											**-4.1**
Index	*2.7*	*-4.2*											*-1.7*

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

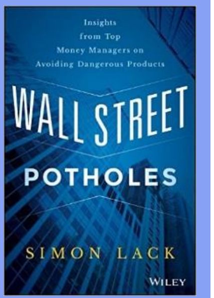
Low Vol Hedged						Since Inception				32%	*Index 4%*		
	Jan	**Feb**	**Mar**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**YTD**
2011										**0.3**	**0.3**	**3.6**	**4.3**
Index										*0.6*	*-0.2*	*0.2*	*0.6*
2012	**-3.5**	**-2.0**	**1.2**	**1.7**	**1.2**	**2.2**	**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**	**1.0**	**1.6**	**-1.9**	**1.5**	**1.3**
Index	*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**
Index	*-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**	**-1.0**	**0.7**	**-1.9**	**-0.6**	**-1.9**	**1.3**	**2.4**	**0.0**
Index	*0.7*	*0.0*	*0.7*	*0.1*	*-1.5*	*0.6*	*0.5*	*0.9*	*0.6*	*-0.3*	*0.0*	*-0.8*	*1.7*
2018	**-0.4**	**-5.2**											**-5.6**
Index	*1.2*	*-0.4*											*0.8*

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

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

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

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



SL Advisors 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.

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

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.

Indexes and benchmarks may not directly correlate or only partially relate to portfolios managed by SL Advisors as they have different underlying investments and may use different strategies or have different objectives than portfolios managed by SL Advisors (e.g. The Alerian index is a group MLP securities in the oil and gas industries. Portfolios may not include the same investments that are included in the Alerian Index. The S & P Index and HFR Index do not directly relate to investment strategies managed by SL Advisors.)

Contact info:

SL Advisors, LLC
210 Elmer Street
Westfield, NJ 07090-2128
908-232-0830
sl@sl-advisors.com
www.sl-advisors.com