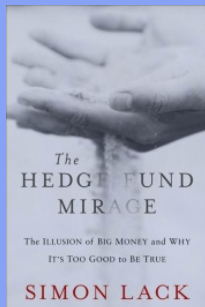




In Pursuit of Value

August, 2015

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An Apocalyptic Fund Story

The Four Horsemen of the Apocalypse, as far as long term investment returns are concerned, are excessive fees, leverage, taxes and over-trading. Any one of these can be relied upon to eat into the results sought by the long term investor. Add an excess of all four and you wind up with a toxic brew that impedes reaching your investment goals and can seriously impair your capital. We recently came across a security which incorporates all of them, and it provides a startling reminder of just how relentlessly capital can be destroyed when these four villains are able to work in concert together. As you'll see, they have wrought an investment disaster of biblical proportions.

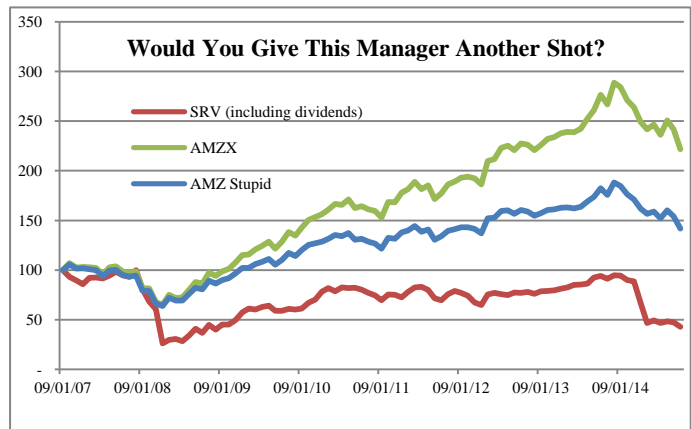
The Cushing MLP Total Return Fund (SRV) stands as a testament to much that is wrong with some of the investment products on offer. Although I often write about Master Limited Partnerships (MLPs), this fund's focus on our favorite asset class is incidental to the story. The lessons herein apply to any investment.

To begin with, SRV is a closed end fund (CEF). This is an intriguing backwater in which we once dabbled before concluding that there wasn't enough liquidity to justify the time. CEFs are like mutual funds except that their share count is fixed; consequently, price and Net Asset Value (NAV) can and invariably do deviate from one another. One of the enduring mysteries of the CEF business is why anybody buys Initial Public Offerings (IPOs). With admittedly unfortunate timing, on August 27, 2007 Morgan Stanley led an underwriting of 8.75 million shares of SRV at \$20, of which \$0.94 went in underwriting fees. So investors were immediately down 4.7% on their investment, and could have chosen to avoid the excitement of the IPO and buy SRV the following day (presumably 4.7% cheaper if it traded at NAV). After all, this was not Google, but simply a fund holding other publicly listed securities. But the machine worked, as it usually does, and investors were duly parted from a modest portion of their funds in exchange for misplaced hope.

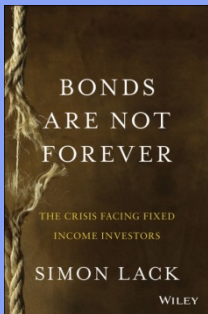
SRV is organized as a corporation rather than as a Registered Investment Company ("RIC"), and I'll spare readers detail of the consequences other than to note that SRV expected to pay 35% of its returns to the U.S. Treasury as corporate income tax (since it is a corporation). SRV planned to use up to 40% leverage, relying on the leverage-magnified returns to cover most of the tax. This only really works when a security such as SRV only goes up, but to point out this possible flaw seems small-minded in the face of such boldness.

The 2008 financial crisis was just months away. The demise of Bear Stearns, collapse of Lehman and government bailout of AIG led many to pray for investment relief. They were dark days indeed. For comparison, we are going to consider SRV's returns against two other indices; the Alerian Total Return Index (AMZX), and a customized index reflecting SRV's structure, which uses AMZX with 40% leverage, a 35% tax rate, and 5% expenses (all assumptions lifted from the 2007 prospectus). We'll call this the Alerian Stupid (AMZS) in honor of the hapless souls who aspired to its results.

In spite of the storm clouds in 2007, the AMZX returned 3.3% for the remainder of the year following SRV's



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investment
strategies that
provide income
without relying on
fixed income
securities*



IPO, and even the AMZS was +1.7%. However, SRV left its initial investors smarting with a -14.4% reduction in the value of their investment. Worse was to come, and markets plunged in 2008 with AMZX delivering -36.9%. AMZS was only slightly worse, at -37.4%. While leverage amplified the losses, the tax burden is assumed to work as a benefit in a down market rather like a net operating loss (those interested in more detail can find it on our blog under [The Sky High Expenses of MLP Funds](#)). SRV quickly parted company with these indices, and turned in an eye-popping -69.3%. CEF experts may note that many closed end funds moved to a substantial discount to NAV in 2008 which exacerbated the fall in price many suffered. However, [Morningstar](#) shows that SRV remained at a premium to NAV for most of the year and indeed throughout its life until the end of last year. CEFs usually trade at a discount to NAV and many individual investors trade them seeking to exploit this fact. The consistent premium at which SRV has traded reflects optimism by investors tragically not repaid by results.

In 2009 markets roared back, and SRV delivered an astonishing +118.6%, well ahead of AMZX at +76.4% and AMZS at +60.2% (taxes really hurt that year). Emboldened by this performance, SRV investors drove the premium to NAV up during the year and by early 2010 it reached 40%, an apogee of irrational exuberance that causes wistful nostalgia in today's investors. At this point Cushing, aided by a different set of underwriters, sensibly exploited the premium by announcing a secondary offering of 6 million shares priced at \$10, half the level of the IPO. A 2011 supplement to the 2010 prospectus also revealed portfolio turnover of 301% in 2010 and 526% in 2009 (high turnover is our fourth horseman). Holders of SRV may have thought they were investors, whereas the data suggests a manager frantically trading with little evidence of any thoughtful strategy.

The years since have not been kind to the faithful (and their composition has changed via trading in the secondary market). Inconveniently, SRV has not risen consistently in price so as to most effectively avail itself of the benefits of leverage. The annual return from inception to June 2015 is -10.2%, compared with +4.6% for AMZS and 10.7% for AMZX. It shows the enormous difference between selecting the right asset class (since MLPs have done very well) and the wrong instrument.

The result is that today SRV languishes at \$3.45, a country mile from its IPO price and at a discount of over 20% to its NAV. In 2015 MLPs have of course been weak, but the discount suggests that the level of enthusiasm for the stewardship of this fund has finally conceded to the reality of truly awful performance. The financial equivalent of Conquest, War, Famine and Death symbolized by the Four Horsemen have surely been visited upon the holders of this fund. Defenders might find fault with picking on an investment launched back in 2007, at a time when perhaps underwriting standards were lower. They might care to consider the Cushing Royalty & Income Fund (SRF), launched in 2012 and having lost 77% for investors since then for a -34% annual return. Obviously they have found a formula that works, after a fashion.

I have heard reports that a new portfolio strategy has been put in place for SRV and that prospects are better than in a long while for those investors willing to cast the past aside. There will probably be some – for although underwriters deserve blame for bringing poor products to market, self-destructive behavior by investors is also necessary to produce stories such as this one. The right thing for Cushing to do is liquidate the portfolio and buy back shares, thus ending a sorry chapter for an MLP manager that has produced ample wealth for its founders if not always for its investors. At least the remaining faithful would profit from the closing of the NAV discount. However, closed end funds represent permanent capital, in that they generate fees in perpetuity for the manager, and winding the fund up is never going to be as appealing to a commercially-driven operator as trying again with a new set of investors.

Even with the benefit of hindsight, it's hard to fathom just how the underwriters and manager of SRV ever expected to generate acceptable returns. The tax drag, leverage, fees and subsequent turnover represented a formidable headwind, as shown by the difference between AMZX and our customized index, AMZS. Although SRV appeared just prior to a tumultuous time, overall asset class returns during its life have been good; better, perhaps, than those involved in its creation might have hoped in 2007. It was a structurally flawed security, and its existence reflects poorly on all the firms who have been associated with it. I recently chatted with a friend who was considering entering investment management but worried that he did not possess a sustainable investing edge. His caution was reasonable given his desire to offer a value-added service. However, as I pointed out to him, in some places the bar is set pretty low.

Performance Tables (Net of fees)

MLP Strategy						Since Inception 200%					Index 108%		
	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	-4.7						-5.7
<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>-13.9</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.

Hedged Dividend Capture Strategy ("DivCap")					Since Inception 26%						Index 3%		
	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>										<i>0.6</i>	<i>-0.2</i>	<i>0.2</i>	<i>0.6</i>
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>	<i>0.4</i>	<i>-0.8</i>	<i>-1.2</i>	<i>-1.5</i>	<i>-0.4</i>	<i>-1.5</i>	<i>-0.1</i>	<i>-0.1</i>	<i>-0.3</i>	<i>0.2</i>	<i>0.5</i>	<i>0.1</i>	<i>-4.7</i>
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>	<i>0.4</i>	<i>0.2</i>	<i>0.0</i>	<i>0.5</i>	<i>0.2</i>	<i>-0.6</i>	<i>0.6</i>	<i>-1.6</i>	<i>-0.1</i>	<i>1.4</i>	<i>0.6</i>	<i>0.2</i>	<i>1.7</i>
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>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>-1.8</i>	<i>0.4</i>	<i>0.2</i>	<i>0.9</i>	<i>0.3</i>	<i>1.0</i>	<i>-0.1</i>	<i>0.0</i>	<i>3.6</i>
2015	-0.1	-0.1	2.8	-2.0	-1.1	-1.0	2.2						0.7
<i>Index</i>	<i>0.1</i>	<i>0.5</i>	<i>1.0</i>	<i>-1.5</i>	<i>-0.4</i>	<i>1.1</i>	<i>1.1</i>						<i>1.9</i>

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

Energy Infrastructure Strategy						Since Inception 17%					Index -3%		
	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	-6.6						-9.3
<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>-13.9</i>

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

Performance Tables (Continued)

High Dividend Low Beta Strategy ("HighDiv")							Since Inception				50%	Index			48%
	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	3.2						2.2		
<i>Index</i>	-0.4	1.5	-0.3	-2.0	0.9	-1.8	4.2						2.0		

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

Deep Value Strategy							Since Inception				146%	Index			142%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
2009								1.1	11.3	0.5	3.5	9.9	28.8		
<i>Index</i>								3.6	3.7	-1.9	6.0	1.9	14.0		
2010	-1.2	4.0	4.1	3.1	-3.9	-4.4	5.1	7.3	7.9	2.1	0.1	2.8	29.5		
<i>Index</i>	-3.6	3.1	6.0	1.6	-8.0	-5.2	7.0	-4.5	8.9	3.8	0.0	6.7	15.1		
2011	0.3	2.3	2.0	2.5	-2.2	-2.8	0.5	-5.0	-9.0	12.1	-0.3	-0.4	-1.4		
<i>Index</i>	2.4	3.4	0.0	3.0	-1.1	-1.7	-2.0	-5.4	-7.0	10.9	-0.2	1.0	2.1		
2012	4.3	5.3	0.9	1.9	-8.7	3.9	0.7	3.6	3.3	-1.0	-2.5	1.1	12.7		
<i>Index</i>	4.5	4.3	3.3	-0.6	-6.0	4.1	1.4	2.3	2.6	-1.8	0.6	0.9	16.0		
2013	6.4	0.7	4.4	1.5	2.2	-1.5	4.2	-1.2	1.8	3.0	2.1	5.2	32.5		
<i>Index</i>	5.2	1.4	3.8	1.9	2.3	-1.3	5.1	-2.9	3.1	4.6	3.0	2.5	32.3		
2014	-4.8	5.3	0.3	2.2	1.4	4.7	-2.4	6.4	-5.5	-1.4	-0.6	-1.7	3.0		
<i>Index</i>	-3.5	4.6	0.8	0.7	2.3	2.1	-1.4	4.0	-1.4	2.4	2.7	-0.3	13.7		
2015	-6.1	9.1	1.2	0.6	-1.2	-2.6	-3.0						-2.6		
<i>Index</i>	-3.0	5.7	-1.6	1.0	1.3	-1.9	2.3						3.6		

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

Low Beta Long/Short Strategy ("LBLS")							Since Inception				113%	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	-0.8	2.1	-1.2	-2.9	-2.8	0.4						-6.4		
<i>Index</i>	-0.3	2.0	0.3	0.2	0.3	-1.3	0.0						1.2		

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

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

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

SL Advisors MLP Strategy

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

SL Energy Infrastructure Strategy

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

SL Advisors Hedged Dividend Capture Strategy

An alternative to bonds, this strategy utilizes stocks of stable companies with high dividend yields to generate income with capital appreciation by investing in a diverse, unleveraged, hedged portfolio of U.S. equities. Companies are selected that possess a history of steady earnings growth, attractive dividend yields and are less volatile than the overall market. The long positions are hedged with a short S&P500 position with the objective of making the portfolio beta neutral while still maintaining a net long equity exposure. Historically this strategy has exhibited monthly swings comparable to corporate bonds, and given the relative attractiveness of equities compared with investment grade bonds we believe it has a more attractive return outlook. This strategy may be considered as a substitute for a portion of an investor's fixed income allocation.

SL Advisors High Dividend Low Beta Strategy

This is the long-only version of our Hedged Dividend Capture Strategy (Long/Short), which has been actively managed and deployed since October 2011. Academic research has shown the Capital Asset Pricing Model (CAPM) fails to explain risk-adjusted returns. Over long periods of time, high beta stocks tend to under-perform and low beta stocks tend to out-perform, on a risk-adjusted basis, which is inconsistent with predicted performance by the CAPM. This strategy attempts to take advantage of this persistent anomaly.

SL Advisors Deep Value Equity Strategy

A portfolio of undervalued stocks of high quality businesses that aims to outperform the S&P500. Investments are in listed U.S. equities trading significantly below the intrinsic value of the underlying enterprise. Potential investments are identified both qualitatively and quantitatively following which detailed research is performed to assess fundamental value. Desired characteristics of businesses include pricing power, low leverage, low costs of production, and attractive valuation. Valuation is defined to us foremost as the net present value of cash one can extract from proportional ownership of the business, then relatively using peer multiples and finally liquidation value. The portfolio is reassessed constantly and all holdings are rated for return potential and risk against their peer group to rebalance into what we believe are the most attractive opportunities. This strategy is part of the equity allocation for balanced accounts for individuals, and is also appropriate as an alpha seeking equity strategy for institutional accounts.

SL Advisors Low Beta Long-Short Strategy

Low Beta Long-Short is more concentrated than Hedged Dividend Capture ("DivCap") with added leverage and is not restricted to dividend paying stocks. It includes our best ideas from DivCap weighted according to conviction rather than diversified, equal weight allocations. It is managed to be beta neutral and returns are driven very largely by individual stock selection. Interactive Brokers is custodian for assets in this strategy only.

***Bonds Are Not Forever; The Crisis Facing Fixed Income Investors
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.

Hedged Dividend Capture Strategy (“DivCap”)

Returns for the Hedged Dividend Capture Strategy reflects the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. As stated above, part of the objective of the Hedged Dividend Capture Strategy is to outperform the HFRX EM Neutral Index. The performance of the HFRX EM Neutral Index and the DJ Corporate Bond Index are shown for comparison purposes only. The HFRX EM Neutral Index consists of hedge funds that employ quantitative techniques to construct portfolios which are intended to be uncorrelated with equity markets. The DJ Corporate Bond Index is an equally weighted index of investment-grade corporate bonds. HFRX EM Neutral Index is presented as it is a reasonable comparison for DivCap which seeks to generate returns while remaining uncorrelated with equities. This DJ Corporate Bond Index is presented as the manager believes DivCap can be an acceptable substitute for corporate bonds given its income generating objective. index You cannot invest directly in an index. Past performance is no guarantee of future results.

High Dividend Low Beta Strategy (“HighDiv”)

The objective of this strategy is to: (1) generate equity market returns over full market cycle with lower volatility (2) outperform S&P500 during periods of significant stock market underperformance (3) generate higher dividend income than the S&P500. Returns for the High Dividend Low Beta Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 Low Volatility index is shown for comparison purposes only. The S&P 500 Low Volatility index measures performance of the 100 least volatile stocks in the S&P500. The index benchmarks low volatility or low variance strategies for the U.S Stocks market. This index tracks securities which most closely correlate to the securities in which the High Dividend Low Beta strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Deep Value Strategy

The objective of this strategy is to outperform the S&P500 Index with a similar level of volatility by investing in a portfolio of undervalued publically traded securities. Returns for the Deep Value Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the S&P 500 index is shown for comparison purposes only. The S&P 500 index is comprised of stocks of large U.S companies and is widely recognized as a benchmark of U.S. stock market performance. This index tracks securities which most closely correlate to the securities in which the Deep Value strategy invests. Past performance is no guarantee of future results. You cannot invest directly in an index.

Low Beta Long/Short Strategy (“LBLS”)

The objective of this strategy is to deliver absolute returns that are uncorrelated to traditional asset classes. It aims to generate capital appreciation while remaining Beta neutral by maintaining a net long position in low beta equities hedged with the S&P500 (using SPY) to deliver uncorrelated returns. It deploys gross leverage of typically < 2:1 and targets volatility similar to the S&P500. Returns for the Low Beta Long/Short Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of a 1% annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the HFRX Global Hedge Fund Index is shown for comparison purposes only. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies. The Strategies are asset weighted based on the distribution of assets in the hedge fund industry. HFRX Global Hedge Fund Index is presented as it is a reasonable comparison for LBLS which seeks to generate absolute returns while remaining uncorrelated with equities. You cannot invest directly in an index. Past performance is no guarantee of future results.