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# In Pursuit of Value

April, 2016

## The MLP Risk Premium

Regular readers will be familiar with examples we've used in the past of how a portfolio of stocks and cash can be used as a substitute for bonds. It turns out that with fairly reasonable assumptions the stocks/cash barbell doesn't need to hold much in stocks to have a decent chance of beating bonds. We wrote about this most recently in December's newsletter in an article titled *Cash is Not Quite Trash*. With the S&P500 yielding around 2% and high grade bonds around 3%, you could sell your high grade bonds and split the resulting proceeds 25/75 between stocks and cash to achieve the same ten-year after-tax return you would by holding the bonds.

It's another way of saying that the Equity Risk Premium, defined as the earnings yield on stocks versus bonds, is high. It's been that way for a long time, and you can debate how it will evolve. Interest rates remain extremely low for this stage of the economic cycle and that's the main reason stocks look relatively more attractive than bonds. Both assets may deliver poor returns over the next few years, but bonds are more likely to disappoint given their starting point. Since the best predictor of the return on a bond is the yield at which you buy it, paltry future returns are well advertised. You still see research using historic bond returns as the basis for their inclusion in a portfolio, usually for diversification. Why think when you can use a spreadsheet?

On Tuesday March 29th, Janet Yellen did what she does so well, which is to sound dovish. In the history of the Federal Reserve we have on many occasions been blessed with appropriate leaders. Cigar-chomping Paul Volcker with his imposing height was always going to vanquish inflation in the 70s and 80s. More recently, how fortunate we were to have a student of the Great Depression in Ben Bernanke at the helm during a time when we faced the very real risk of a repeat. Janet Yellen may similarly turn out to be the right person at the right time. Her dovish background is well documented. One feels that she will raise interest rates only when all other possibilities have been exhausted. The mantle of inflation hawk does not sit easily with her, and when it appears that she's been cornered by some of her FOMC colleagues into agreeing on a further step towards "normalization", she quickly moves from bird of prey to symbol of peace, soothing traders' concerns and appearing visibly more comfortable in the process. *Bonds Are Not Forever*, did not predict Janet Yellen but did forecast her behavior. Public policy continues to be run so as to be respectful of the burden of debt and to gradually erode its real value. It is good, but there's still no reason to help the process along by holding bonds.

Since most of our writing touches on Master Limited Partnerships (MLPs), this newsletter should be no different. We are hereby introducing an analog to the Equity Risk Premium, the MLP Risk Premium. Just as it's possible to show that a combination of stocks and cash can provide a good substitute for investment grade bonds, so can a combination of MLPs and cash. We used to think of MLPs as a good substitute for high yield bonds, since that was the competing asset class with which they were most highly correlated. They shared similar volatility but MLPs had outperformed over every time frame. The 2015 MLP Crash necessarily challenged this comparison; rather than being a source of stable, growing distributions for income seeking investors, MLPs nowadays represent probably the most depressed and therefore attractively valued sector available. One simple illustration is to note that investing in an equity security whose yield falls by 2% will generate a one-year return of greater than 30%. MLP yields really could fall by 2% in the year ahead – they managed as much in bouncing off the recent lows of February 11th. There can't be another asset class with anything remotely close as a potential return.

But to return to our stocks/cash substitute for bonds, if $25 in stocks stands a respectable chance of delivering what $100 will in bonds, how about MLPs with their near double-digit yields? It depends

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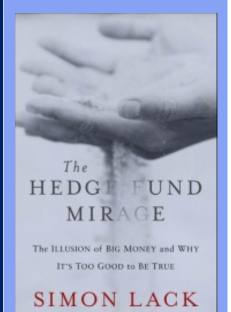


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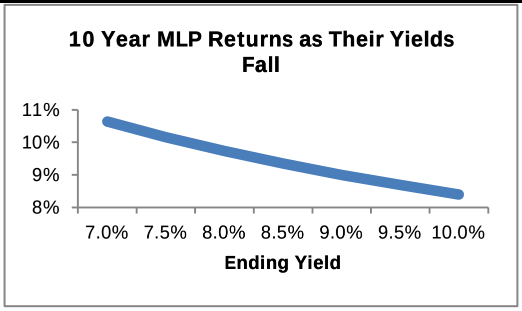
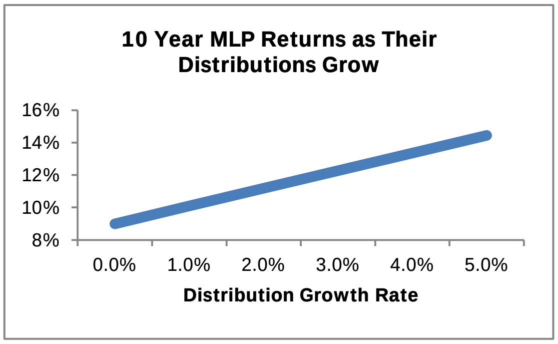
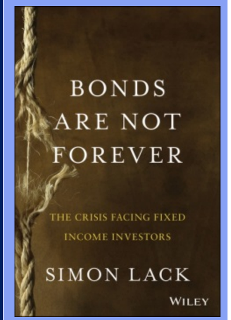



on where yields go and how much distributions grow.

The two charts reflect two sensitivities. The first assumes you invest in MLPs at 9% and shows returns with different final yields in ten years which causes a capital gain/loss, while conservatively keeping actual distributions unchanged. The second chart assumes MLP yields remain at 9% throughout the next ten years but shows total return with different distribution growth rates. Everything is pre-tax to allow for easier comparison with bonds.




Visually, you can see that compared with 3% yielding bonds you don't need much in MLPs to get the same result, depending on your return assumptions. So MLPs at 9% assuming no drop in yields or distribution growth with dividend reinvestment over ten years would return $137 for $100 initially invested versus $34 for 3% yielding bonds, thus requiring less than a quarter of the money invested in bonds to match its return. If you assume 5% annual distribution growth, the 14% annualized return would generate $286 on $100 invested, meaning you would need just under an eighth of your bond money in MLPs to match it (figures are pre-tax). For the optimist, if MLPs grow distributions in line with the past ten years and return to the average spread to treasuries, you'll return 21% annually for the next decade (6.5X your initial investment). The 100% high grade bond portfolio return would then be matched by 6% MLPs/ 94% Cash.




In terms of the downside, over ten years even if distributions *shrank* annually at 5.5% (Alerian reports 6.8% growth over the past ten years) you'd still wind up with a 3% annual return. If prices were 50% lower in a decade but distributions had been paid throughout, you'd have earned 6.2% annually. In other words, much needs to go wrong for MLPs to do worse than bonds over a period of years. Of course, forecasting scenarios is great but the sector still fell by 58.2% from August 31, 2014 to February 11th, 2016. Given the volatility, MLPs should offer attractive returns. But if ten years is too far away, over the next twelve months as long as they maintain distributions investors are likely to drive yields lower, and 2% lower gets you a 38% one year return.

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

**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.

**Upcoming *Wall Street Potholes* Presentation**

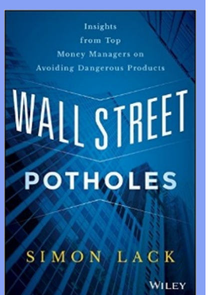
On Tuesday, April 5th at 12 noon I'll be giving a presentation on my new book to the New York Society of Security Analysts at the NYSSA Conference Center, 1540 Broadway, New York.

## Performance Tables

## Midstream Energy Infrastructure

## (General Partner Focused)

*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.*

| MLP Strategy (K-1s) | | | | | | | Since Inception 87% | | | | *Index* | *56%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **8.6** | | | | | | | | | | **-3.5** |
| *Index* | *-11.1* | *-0.5* | *8.3* | | | | | | | | | | *-4.2* |

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 | -30% | | | *Index* | *-27%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **-0.6** | **10.8** | | | | | | | | | | **5.2** |
| *Index* | *-11.1* | *-0.5* | *8.3* | | | | | | | | | | *-4.2* |

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 | | 59% | *Index* | | *59%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** |
| *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** | **1.3** | **1.6** | **5.5** | | | | | | | | | | **8.5** |
| *Index* | *-1.7* | *1.0* | *6.0* | | | | | | | | | | *5.2* |

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 | | | 36% | *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** | | | | | | | | | | **7.3** |
| *Index* | *-0.2* | *-1.5* | *-0.8* | | | | | | | | | | *-2.5* |

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

| Low Vol Best Ideas | | | | | | | Since Inception | | 104% | *Index* | | *-7%* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** |
| *Index* | | | *-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** |
| *Index* | *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** |
| *Index* | *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** |
| *Index* | *-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** |
| *Index* | *-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** | | | | | | | | | | **8.7** |
| *Index* | *-2.8* | *-0.3* | *1.3* | | | | | | | | | | *-1.8* |

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.**

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. 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.