



In Pursuit of Value

November, 2016

Bonds and Marshmallows

Many teachers are familiar with the [Marshmallow Test](#), first implemented by Walter Mischel on pre-school students in California over fifty years ago. It measures self-control by presenting subjects with the choice between consuming one marshmallow now or two if they can wait fifteen minutes.

It's one of the most famous psychological tests ever created. Youtube has dozens of [videos](#) of young children wrestling with delayed gratification. Walter Mischel has come to be known as the "Marshmallow Man". It turns out that the ability to defer a reward predicts subsequent success in life. The spontaneous marshmallow grabbers grow up to be more frustrated, indecisive and disorganized than those who pass the test. Pre-school self-control [predicts](#) later self-confidence, self-restraint and scores up to 200 higher on the SAT.

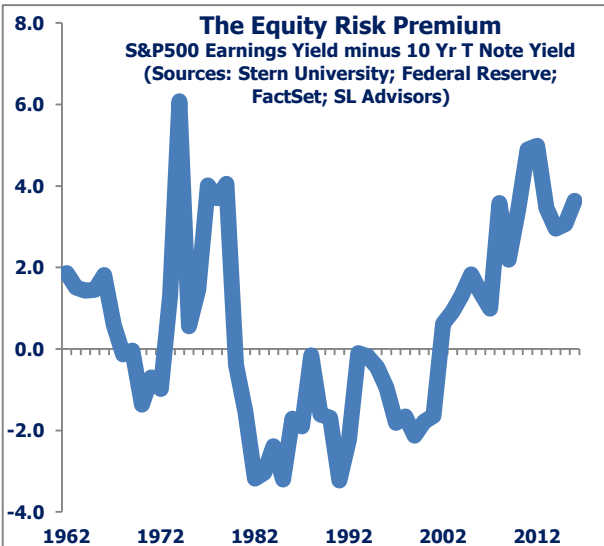
Unsurprisingly, parents have been induced to test their young offspring and then fret over the consequences of failing the Marshmallow Test. Naturally, some schools now teach delayed self-gratification. Happily though, this doesn't merely assuage the fears of over-anxious parents; learning the skills to pass this test also develops qualities associated with the natural passers who didn't need coaching.



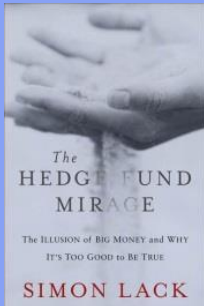
Investing is all about delayed gratification. Consumption today is deferred in exchange for more consumption in the future. As interest rates have sunk ever lower, bond investors are in effect being offered their second marshmallow with an ever greater delay. With the benefits of waiting deteriorating, today's buyers of bonds must increasingly be those who would have most easily passed the test in pre-school. In fact, fixed income investors have become so inured to insultingly

low returns that in much of the developed world they not only deny themselves today's marshmallow but agree to give one away. Negative interest rates on German, Swiss and Japanese government bonds are cruelly exploiting the magnificent self-control these individuals evidently showed early in their lives.

Some are concluding that a contest they can't win must be rigged, and moving to stocks. They are abandoning the certainty of a sliver of marshmallow far in the future and seizing the probability of a better outcome even though it carries with it the possibility of a worse one.



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
www.sl-
advisors.com*

We are a couple of weeks into earnings season, and FactSet is forecasting -0.3% year-on-year earnings growth for 3Q16 among S&P500 companies. For 2016 as a whole they are forecasting no growth. This is mainly because Energy sector earnings are -73%, without which 3Q16 would be +3.3%. Financials is the best performing sector with 7.8% earnings growth expected.



More importantly, Energy looks as if it will stop being a drag on S&P500 earnings starting next quarter, at which point a run of six consecutive quarters of lower earnings should end. Bottom up forecasts of S&P 500 earnings (i.e. based on adding together estimates for each of the 500 companies) tend to be more conservative than top-down ones which rely more on macro-economic forecasts. 2016 looks to be around \$118 per share,

the same as last year. This puts the S&P500 at a multiple of 18X. This multiple drops to 16X based on next year's (bottom-up) forecast of \$133, a jump of over 12%.

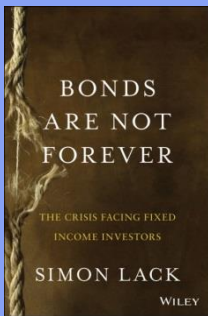
Depending on your interpretation of the Equity Risk Premium, stocks either look cheap on this basis, or not. Surprises are invariably what precede sharp falls in stocks. They're impossible to predict, but we do believe that the Federal Reserve will not provide a negative surprise on interest rates. Low rates are the solution to too much debt, as described in [Bonds Are Not Forever](#). Regardless of the explanation, monetary policy is clearly being executed in a way that acknowledges such.

We receive so many warnings before the Federal Reserve ultimately doesn't raise rates that it's safe to assume they'll tell us when they're about to. And while it's possible inflation could one day surprise to the upside, leaving the Fed scrambling to catch up, we highly doubt they'll be surprisingly pre-emptive.

Ten year treasury yields are close to the 2% dividend yield on the S&P500. But dividends grow whereas interest payments don't, which is why we calculate that the return on \$100 in ten year treasuries can be replicated with only \$16 in stocks.¹ A barbell portfolio split 16/84 between stocks and cash would only lose 8% if the S&P500 lost half its value. It would take less than a 1% increase in rates to inflict a similar 8% loss on the bond investment. They're not equally likely to happen. This is the basic case for avoiding bonds in favor of higher returning assets combined with cash.



Interest rates continue to be the most important driver of investment decisions. The Equity Risk Premium reflects relative valuation. The recent drop in bond prices exposes how little valuation support yields provide. Those patient bond holders willing to wait ever longer for a marshmallow are finding there's nothing very sweet after all.



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

¹ Assuming (1) 5% annual growth in dividends, the 50 year average, (2) unchanged Federal tax treatment of qualified dividends, capital gains and interest income, (3) unchanged yield on S&P500 in ten years, (4) unchanged short term interest rates

Performance Tables

Midstream Energy Infrastructure

(General Partner Focused)

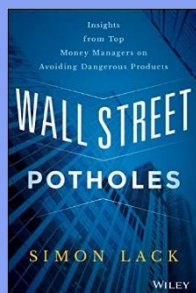
MLP Strategy (K-1s)							Since Inception 142%				Index 80%		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2008	-0.6	3.1	-0.7	2.0	4.2	-10.6	-1.9	0.7	-14.9	-1.0	-22.0	2.9	-35.5
<i>Index</i>	<i>-0.6</i>	<i>-0.5</i>	<i>-6.3</i>	<i>7.3</i>	<i>1.0</i>	<i>-4.9</i>	<i>-1.7</i>	<i>1.7</i>	<i>-17.2</i>	<i>-0.1</i>	<i>-17.1</i>	<i>-3.7</i>	<i>-36.9</i>
2009	15.5	-2.0	5.1	5.9	10.0	-1.0	10.2	0.2	1.1	2.3	6.3	5.1	75.0
<i>Index</i>	<i>15.3</i>	<i>-4.2</i>	<i>0.7</i>	<i>11.0</i>	<i>9.3</i>	<i>-1.7</i>	<i>12.4</i>	<i>-3.2</i>	<i>4.8</i>	<i>2.9</i>	<i>6.4</i>	<i>6.6</i>	<i>76.4</i>
2010	0.8	5.5	2.1	2.5	-4.4	5.2	5.9	-1.5	5.1	2.1	3.3	2.8	33.0
<i>Index</i>	<i>0.6</i>	<i>4.6</i>	<i>2.9</i>	<i>3.4</i>	<i>-5.4</i>	<i>5.6</i>	<i>7.5</i>	<i>-2.5</i>	<i>6.1</i>	<i>5.4</i>	<i>1.9</i>	<i>1.7</i>	<i>35.9</i>
2011	1.3	5.2	0.1	2.7	-4.2	1.9	-2.4	-0.2	-3.3	9.2	0.2	6.9	17.6
<i>Index</i>	<i>3.0</i>	<i>3.5</i>	<i>-0.6</i>	<i>3.3</i>	<i>-5.0</i>	<i>1.1</i>	<i>-1.9</i>	<i>-1.1</i>	<i>-4.1</i>	<i>10.3</i>	<i>-0.2</i>	<i>5.8</i>	<i>13.9</i>
2012	1.7	5.3	-3.6	0.9	-7.0	3.3	5.8	3.2	2.3	-0.8	0.3	-3.0	7.8
<i>Index</i>	<i>1.9</i>	<i>4.2</i>	<i>-4.0</i>	<i>2.2</i>	<i>-7.5</i>	<i>3.3</i>	<i>5.1</i>	<i>1.6</i>	<i>2.0</i>	<i>0.5</i>	<i>-0.8</i>	<i>-3.1</i>	<i>4.8</i>
2013	12.9	1.8	5.8	-0.5	-1.1	2.7	0.3	-0.3	1.4	2.4	4.1	3.5	37.3
<i>Index</i>	<i>12.6</i>	<i>0.9</i>	<i>5.4</i>	<i>0.9</i>	<i>-2.0</i>	<i>3.1</i>	<i>-0.5</i>	<i>-2.5</i>	<i>2.3</i>	<i>2.7</i>	<i>0.9</i>	<i>1.6</i>	<i>27.6</i>
2014	1.5	2.6	3.9	2.4	5.6	9.6	-4.0	7.5	-1.5	-4.0	0.4	-3.0	21.9
<i>Index</i>	<i>0.6</i>	<i>-0.2</i>	<i>1.5</i>	<i>4.3</i>	<i>3.4</i>	<i>5.9</i>	<i>-3.5</i>	<i>8.2</i>	<i>-1.6</i>	<i>-4.6</i>	<i>-2.6</i>	<i>-5.6</i>	<i>4.8</i>
2015	-3.0	5.8	-0.9	4.9	-2.5	-4.8	-4.9	-6.1	-17.4	6.1	-8.2	-14.3	-39.0
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>	<i>6.2</i>	<i>-3.6</i>	<i>-8.3</i>	<i>-3.2</i>	<i>-5.0</i>	<i>-15.3</i>	<i>9.7</i>	<i>-8.1</i>	<i>-3.6</i>	<i>-32.6</i>
2016	-11.9	1.0	8.5	14.8	4.5	4.8	1.0	3.5	5.6	-6.7			25.0
<i>Index</i>	<i>-11.1</i>	<i>-0.5</i>	<i>8.3</i>	<i>11.0</i>	<i>2.5</i>	<i>5.1</i>	<i>0.6</i>	<i>-1.3</i>	<i>1.9</i>	<i>-4.5</i>			<i>10.8</i>

Returns do not include cash balances prior to May 2010. The Index is the Alerian MLP Index, AMZX. Past performance is not indicative of future returns.

Energy Infrastructure Strategy (1099s)							Since Inception -1%				Index -16%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2013								1.2	0.8	4.2	-0.3	6.2	12.5
<i>Index</i>								<i>-0.5</i>	<i>2.3</i>	<i>2.7</i>	<i>0.9</i>	<i>1.6</i>	<i>5.3</i>
2014	0.9	1.6	0.1	4.3	5.0	10.1	-2.6	6.7	-4.1	-2.2	-2.8	-1.1	16.1
<i>Index</i>	<i>0.6</i>	<i>-0.2</i>	<i>1.5</i>	<i>4.3</i>	<i>3.4</i>	<i>5.9</i>	<i>-3.5</i>	<i>8.2</i>	<i>-1.6</i>	<i>-4.6</i>	<i>-2.6</i>	<i>-5.6</i>	<i>4.8</i>
2015	-6.7	5.7	1.8	4.2	-5.3	-2.0	-6.8	-10.2	-15.5	5.4	-12.8	-18.3	-48.3
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>	<i>6.2</i>	<i>-3.6</i>	<i>-8.3</i>	<i>-3.2</i>	<i>-5.0</i>	<i>-15.3</i>	<i>9.7</i>	<i>-8.1</i>	<i>-3.6</i>	<i>-32.6</i>
2016	-4.5	-0.7	10.8	12.2	5.7	6.9	0.1	6.1	10.6	-5.3			48.2
<i>Index</i>	<i>-11.1</i>	<i>-0.5</i>	<i>8.3</i>	<i>11.0</i>	<i>2.5</i>	<i>5.1</i>	<i>0.6</i>	<i>-1.3</i>	<i>1.9</i>	<i>-4.5</i>			<i>10.8</i>

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

A book written by Wall Street insiders that reveals how unsuspecting individual investors are often steered towards high-fee



investment products that deliver poor results.

Everyone who relies on others for financial advice should read this book so they can ask the tough questions that will help them achieve better investment results at less cost.

Performance Tables (Continued)

Low Volatility Strategies

Low Vol Long Only						Since Inception					65%	Index		62%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	
2012								0.2	1.9	0.0	1.0	-0.2	2.9	
<i>Index</i>								-0.9	1.7	-0.1	-0.2	-0.5	0.0	
2013	5.8	4.0	5.7	1.9	-2.0	0.2	4.1	-4.3	1.0	5.4	0.8	1.1	25.9	
<i>Index</i>	5.0	2.7	4.9	3.8	-3.4	0.6	4.2	-4.8	2.0	4.6	1.2	1.1	23.6	
2014	-3.5	2.7	2.0	2.8	1.4	0.9	-2.5	5.1	-0.8	2.2	2.5	-0.1	13.3	
<i>Index</i>	-2.5	3.7	2.1	1.9	1.0	2.2	-3.8	3.8	-0.9	4.9	3.2	0.9	17.5	
2015	-1.4	2.9	1.8	-1.2	-0.6	-2.2	2.7	-4.4	-1.0	6.0	-2.1	-0.4	-0.2	
<i>Index</i>	-0.4	1.5	-0.3	-2.0	0.9	-1.8	4.3	-4.9	-0.4	6.8	1.1	-0.1	4.3	
2016	1.3	1.6	5.5	0.2	2.4	7.3	-0.9	-2.0	0.5	-2.3			13.1	
<i>Index</i>	-1.7	1.0	6.0	-0.7	1.7	5.7	0.3	-1.9	-1.0	-2.2			7.0	

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					37%	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			8.5
<i>Index</i>	-0.2	-1.5	-0.8	-1.9	0.4	-1.0	1.2	-0.4	0.4	-0.3			-4.2

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

Low Vol Best Ideas						Since Inception					116%	Index		-4%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	
2011			-3.6	19.4	6.5	4.6	0.1	9.2	-1.0	6.8	2.0	1.6	53.6	
<i>Index</i>			-0.9	0.5	-1.4	-1.6	-0.1	-3.5	-3.0	0.8	-0.9	-0.4	-10.0	
2012	-4.9	-1.5	5.8	3.4	1.2	2.5	3.3	-2.1	0.0	3.1	0.3	-1.2	9.8	
<i>Index</i>	1.7	1.4	0.0	0.1	-1.7	-0.3	0.5	0.5	0.4	-0.5	0.4	0.9	3.5	
2013	7.9	6.6	6.6	3.3	-2.0	-0.6	3.9	-2.0	0.4	0.4	-2.7	2.1	25.7	
<i>Index</i>	2.0	0.4	0.7	0.6	0.7	-1.3	1.0	-0.9	1.0	1.2	0.6	0.4	6.5	
2014	-5.6	-0.5	1.3	2.9	-1.0	3.5	-0.7	5.2	-0.5	-0.9	2.3	1.5	7.4	
<i>Index</i>	-0.1	1.6	-0.2	-0.7	0.5	0.9	-0.9	1.1	-0.8	-1.3	0.3	-0.8	-0.4	
2015	-1.2	0.0	2.1	-1.2	-2.9	-2.8	0.3	-0.4	-2.7	-3.4	-6.6	-0.2	-17.7	
<i>Index</i>	-0.3	2.0	0.3	0.2	0.3	-1.3	0.0	-2.2	-2.1	1.5	-0.7	-1.3	-3.6	
2016	2.1	3.5	2.9	1.2	2.1	7.4	-1.5	-0.1	-3.2	0.4			15.3	
<i>Index</i>	-2.8	-0.3	1.8	-0.1	0.5	0.2	1.5	0.2	0.6	-0.5			0.8	

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](http://www.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. 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.