



In Pursuit of Value

September, 2017

The Moral Case for Fossil Fuels

In the debate over global warming, the environmentalists claim the moral high ground while the “non-believers” deny man-made climate change. The very question of whether you “believe” in global warming suggests religious conviction with little point in debate. This is what makes Alex Epstein’s moral defense of fossil fuels so intriguing.

We have clients across the political spectrum, and it’s a safe bet that they’re with us looking for strong investment results with little care for our views on other topics. However, there are some who concede to a certain moral precariousness in putting their green credentials alongside investments designed to profit from America’s Shale Revolution. For them, Alex Epstein presents an intellectual framework for conscience-free investments in energy infrastructure.

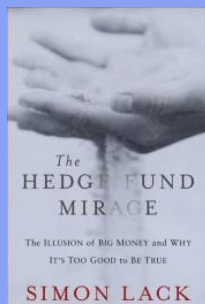
Epstein seizes the moral high ground by correctly defining the metric against which human development should be judged – namely, is it good for humanity? He argues that many environmentalists implicitly value human health and prosperity below other objectives, such as ensuring an unchanged environment. Cheap fossil fuel energy has powered an enormous leap in living standards, life expectancy and population over the past couple of centuries. He argues that humans have been changing their environment throughout history to make it safer and more receptive to human life. These undoubted benefits to the human race need to be balanced against the (oft-debated) environmental results. And while Epstein goes on to question to what degree human activity is warming the planet, the elegance of his insight is that the humanity standard allows one to be a fossil fuel supporting environmentalist. His preferred standard is, “What will promote human *flourishing* – realizing the full potential of life?” (italics in original).

Since burning fossil fuels supplies [81%](#) of our energy needs, it’s reasonable to assume that government policies which impose constraints will increase the cost of energy through taxes or subsidies that favor renewables. The humanity standard doesn’t preclude this, it simply imposes a rigorous cost-benefit analysis. More highly priced energy may not damage human life in the developed world all that much, but in the developing world cheap, reliable electricity can mean life or death for hospital patients or a community in need of clean water.

Since cavemen lit fires and inhaled smoke while staying warm, humans have balanced energy use with changes to the environment. Still today, [38%](#) of the world’s [population](#) uses traditional biomass for cooking, contributing to 3.5 million premature deaths each year caused by household air pollution. Women and children disproportionately bear the cost to their health as well as spending enormous amounts of time gathering wood for fuel. 1950s London was notorious for thick fog caused by coal-burning homes and factories. Coal use was curtailed – Epstein’s standard doesn’t sanction unfettered pollution, it simply sets a standard against which to assess it.

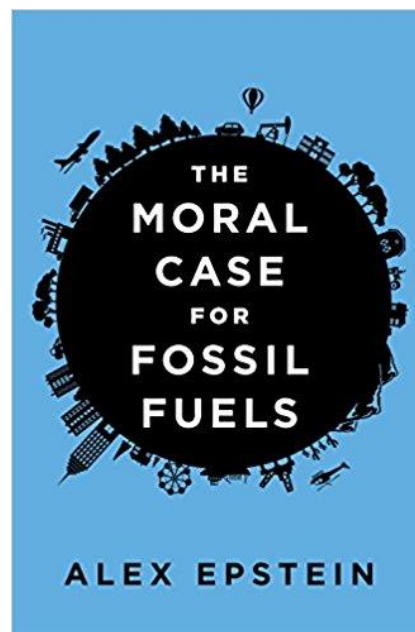
As a society’s wealth increases, the trade-off shifts. When we’re safely housed against the weather, able to access sufficient food, water and medical care, concern for our natural surroundings can increase. But assuming humans are taking existential risks with the planet, a population without reliable electricity or clean water will more readily prioritize these over the environment compared with developed countries. In fact, the morality of fossil fuel use is strongest when applied to the poorest, whose lives are most easily improved. Advocates of the

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deepest cuts in global energy use must consider parts of the world using energy to reach western living standards. For example, in 2014 Secretary of State John Kerry, in a [speech](#) to Indonesians, exhorted them to “Make a transition towards clean energy the only plan you are willing to accept.” Such a call was no doubt well intentioned, but 33 million Indonesians lack access to [safe water](#). Higher energy prices will hardly solve that immediate problem.

Globally, 1.2 billion people do not have [access](#) to electricity and have shorter life expectancy as a result, while many more don’t have access to reliable electricity. These people may rightly care about energy availability regardless of how it’s generated. Part of the moral dilemma revolves around sacrifices today to help later wealthier generations. It’s not an easy question, but is one that Epstein challenges his critics to consider more carefully.

The book does not question whether carbon dioxide emissions warm the planet but the degree to which they do, the consequences of such and the cost of cleaner energy on human life and the quality of human life today. This debate will probably continue beyond all our lifetimes and we’ll sidestep offering an opinion. Epstein offers some useful data to illustrate how humans have benefited from harnessing concentrated energy; the average human needs 2,000 calories a day to exist, roughly the same amount of energy required by a 100-watt lightbulb. As we go about our daily lives, we eat food produced and moved by machines; we are transported by machines and we occupy buildings whose construction relied on heavy equipment. Consequently, the average American’s daily machine energy use is 186,000 calories, or around 93 humans. Consider how energy has transformed agriculture, driving enormous increases in productivity and greatly decreasing the percentage of the population working on farms. Freed from a daily search for sustenance, humans have diversified into countless endeavors with time to create all the elements of industrialized societies. Fossil fuels have made modern society possible.

A key advantage of fossil fuels is their concentrated form. A gallon of gasoline contains 31,000 calories, the equivalent of a day’s energy for fifteen humans. By harnessing many multiples of our own physical ability, we have used hydrocarbons to shape our world. From the construction of the most rudimentary forms of shelter, we have adapted our environment to be protected from the elements.

The 2012 debate between Alex Epstein and Bill McKibben (a leading environmentalist), available on [Youtube](#), probably changed few minds but nonetheless provided a useful public airing of views. CO2 emissions have risen along with fossil fuel use. But many measures of human well-being have improved including life expectancy, poverty and access to sanitation. It’s clearly not a coincidence. Every human, regardless of their opinion on climate change, wants a livable planet.

Whatever your views on human-caused global warming, *The Moral Case for Fossil Fuels* represents a useful step towards greater intellectual rigor on the topic.

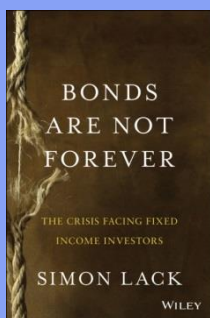
Escheatment

Escheatment used to apply when a property owner died without a will or legal heirs. It was the process by which those assets were transferred to the state. Its meaning has since evolved to include theft of property by the state by legal means. So it was that at the Lack home we recently received a letter from a custodian informing us that under New Jersey state law, a brokerage account with no activity for three years could be seized by the state as un-owned property.

The account in question is a trust for one of our children. There are no fees (a rare benefit of being an SL Advisors family member) and dividends are automatically reinvested, so there is no activity. Moreover, we learned that under certain circumstances the state may liquidate any securities positions on seizure, no doubt creating a capital gains tax bill for the claimant assuming they successfully regain their property. We were able to confirm that we’d rather like to retain the assets in the account and not hand them over to the state’s coffers. But the onus was on us to communicate this wish.

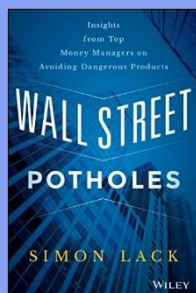
This law is common across most states. The [Council on State Taxation](#) rates states based on the fairness of their escheatment statute – New Jersey naturally receives a “D” (the lowest).

Three years is obviously a ludicrously short period of time on which to base such a law. The government’s need for revenues has few good outcomes. As a taxpayer, your best bet is to ensure every investment account has some activity or otherwise looks as if you know of its existence. You may also hope fervently that wealthy neighbors whom you dislike suffer regular memory loss.



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

Midstream Energy Infrastructure

(General Partner Focused)

	MLP Strategy (K-1s)						Since Inception 151%				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
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					-8.2
Index	4.9	0.4	-1.3	-1.3	-4.5	-0.6	1.3	-4.9					-6.3

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

	Energy Infrastructure Strategy (1099s)						Since Inception -4%				Index -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
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	-4.1					-10.2
Index	4.9	0.4	-1.3	-1.3	-4.5	-0.6	1.3	-4.9					-6.3

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				84%	Index			86%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
2012								0.2	1.9	0.0	1.0	-0.2	2.9		
<i>Index</i>								-0.9	1.7	-0.1	-0.2	-0.5	0.0		
2013	5.8	4.0	5.7	1.9	-2.0	0.2	4.1	-4.3	1.0	5.4	0.8	1.1	25.9		
<i>Index</i>	5.0	2.7	4.9	3.8	-3.4	0.6	4.2	-4.8	2.0	4.6	1.2	1.1	23.6		
2014	-3.5	2.7	2.0	2.8	1.4	0.9	-2.5	5.1	-0.8	2.2	2.5	-0.1	13.3		
<i>Index</i>	-2.5	3.7	2.1	1.9	1.0	2.2	-3.8	3.8	-0.9	4.9	3.2	0.9	17.5		
2015	-1.4	2.9	1.8	-1.2	-0.6	-2.2	2.7	-4.4	-1.0	6.0	-2.1	-0.4	-0.2		
<i>Index</i>	-0.4	1.5	-0.3	-2.0	0.9	-1.8	4.3	-4.9	-0.4	6.8	1.1	-0.1	4.3		
2016	1.5	1.6	5.4	0.1	2.4	7.5	-0.7	-2.0	0.5	-2.4	1.4	2.7	19.1		
<i>Index</i>	-1.7	1.0	6.0	-0.7	1.7	5.7	0.3	-1.9	-1.0	-2.2	0.5	2.6	10.4		
2017	0.8	3.7	0.5	-0.5	0.9	-0.5	2.2	-1.6					5.5		
<i>Index</i>	0.7	4.5	-0.1	1.1	2.7	-0.3	1.4	0.9					11.3		

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				38%	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>										0.6	-0.2	0.2	0.6
2012	-3.5	-2.0	1.2	1.7	1.2	2.2	1.1	-1.3	0.5	0.8	0.6	-0.6	1.8
<i>Index</i>	0.4	-0.8	-1.2	-1.5	-0.4	-1.5	-0.1	-0.1	-0.3	0.2	0.5	0.1	-4.7
2013	2.9	3.5	4.1	0.9	-2.8	1.1	1.4	-3.0	-0.4	3.2	-0.7	-0.4	10.0
<i>Index</i>	0.4	0.2	0.0	0.5	0.2	-0.6	0.6	-1.6	-0.1	1.4	0.6	0.2	1.7
2014	-1.6	0.0	1.9	2.4	0.3	0.0	-2.2	3.1	0.2	0.9	1.2	0.3	6.7
<i>Index</i>	0.7	0.7	0.6	0.6	-1.8	0.4	0.2	0.9	0.3	1.0	-0.1	0.0	3.6
2015	-0.1	-0.1	2.8	-2.0	-1.1	-1.0	2.0	-1.2	1.0	1.6	-1.9	1.5	1.3
<i>Index</i>	0.1	0.5	1.0	-1.5	-0.4	1.1	1.4	0.2	2.0	1.1	-0.5	0.3	5.5
2016	3.6	1.4	2.2	-0.6	1.2	7.5	-2.7	-2.5	-0.1	-1.4	-0.9	2.3	9.9
<i>Index</i>	-0.2	-1.5	-0.8	-1.9	0.4	-1.0	1.2	-0.4	0.4	-0.1	0.0	-1.1	-5.1
2017	-0.4	2.3	0.5	-1.0	0.1	-1.0	0.7	-1.9					-0.7
<i>Index</i>	0.7	0.0	0.7	0.1	-1.5	0.6	0.5	0.7					1.9

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

Low Vol Best Ideas							Since Inception				105%	Index 1%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	
2011			-3.6	19.4	6.5	4.6	0.1	9.2	-1.0	6.8	2.0	1.6	53.6	
<i>Index</i>			-0.9	0.5	-1.4	-1.6	-0.1	-3.5	-3.0	0.8	-0.9	-0.4	-10.0	
2012	-4.9	-1.5	5.8	3.4	1.2	2.5	3.3	-2.1	0.0	3.1	0.3	-1.2	9.8	
<i>Index</i>	1.7	1.4	0.0	0.1	-1.7	-0.3	0.5	0.5	0.4	-0.5	0.4	0.9	3.5	
2013	7.9	6.6	6.6	3.3	-2.0	-0.6	3.9	-2.0	0.4	0.4	-2.7	2.1	25.7	
<i>Index</i>	2.0	0.4	0.7	0.6	0.7	-1.3	1.0	-0.9	1.0	1.2	0.6	0.4	6.5	
2014	-5.6	-0.5	1.3	2.9	-1.0	3.5	-0.7	5.2	-0.5	-0.9	2.3	1.5	7.4	
<i>Index</i>	-0.1	1.6	-0.2	-0.7	0.5	0.9	-0.9	1.1	-0.8	-1.3	0.3	-0.8	-0.4	
2015	-1.2	0.0	2.1	-1.2	-2.9	-2.8	0.3	-0.4	-2.7	-3.4	-6.6	-0.2	-17.7	
<i>Index</i>	-0.3	2.0	0.3	0.2	0.3	-1.3	0.0	-2.2	-2.1	1.5	-0.7	-1.3	-3.6	
2016	2.1	3.5	2.9	1.2	2.1	7.4	-1.5	-0.1	-3.2	0.4	-1.5	2.6	16.5	
<i>Index</i>	-2.8	-0.3	1.8	-0.1	0.5	0.2	1.5	0.2	0.6	-0.6	0.9	0.9	2.5	
2017	0.4	1.7	-1.1	-1.7	1.0	-2.6	-0.7	-3.4					-6.3	
<i>Index</i>	0.5	1.2	0.0	0.4	0.2	0.2	0.9	0.0					3.5	

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

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

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

SL Advisors MLP Strategy

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

SL Energy Infrastructure Strategy

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

SL Advisors Low Vol Long Only Strategy

This strategy utilizes stocks of stable companies with high dividend yields to generate income with capital appreciation by investing in a diverse, unleveraged, hedged portfolio of U.S. equities. Companies are selected that possess a history of steady earnings growth, attractive dividend yields and are less volatile than the overall market. Academic research has shown the Capital Asset Pricing Model (CAPM) fails to explain risk-adjusted returns. Over long periods of time, high beta stocks tend to under-perform and low beta stocks tend to out-perform, on a risk-adjusted basis, which is inconsistent with predicted performance by the CAPM. This strategy attempts to take advantage of this persistent anomaly.

SL Advisors Low Vol Hedged Strategy

An alternative to bonds, this strategy combines the Low Vol Long Only Strategy with a short S&P500 position with the objective of making the portfolio beta neutral while still maintaining a net long equity exposure. Historically this strategy has exhibited monthly swings comparable to corporate bonds, and given the relative attractiveness of equities compared with investment grade bonds we believe it has a more attractive return outlook. This strategy may be considered as a substitute for a portion of an investor's fixed income allocation.

SL Advisors Low Vol Best Ideas Strategy

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

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

Bonds Are Not Forever; The Crisis Facing Fixed Income Investors

and

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

are all available at Amazon.com.

Our blog, ***In Pursuit of Value***, is at: <http://www.sl-advisors.com/blog/>

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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.