



In Pursuit of Value

April, 2018

Corporations Lead the Way to American Energy Independence

In 2005, when I was providing seed capital to emerging hedge funds at JPMorgan, we met with Alerian’s founder Gabriel Hammond. “Gabe” knew a great deal about Master Limited Partnerships, and he was convinced that the sector needed an index in order to grow. He was right, and Alerian’s index became the most widely used benchmark for MLPs. We seeded Alerian Capital Management’s offshore hedge fund.

Back then, MLPs were synonymous with energy infrastructure. To invest in one was to invest in the other. But as regular readers know, much has changed since then. MLPs are now a shrinking subset of energy infrastructure. The Shale Revolution created the need for growth capital to build new pipelines, because crude oil hadn’t previously been sourced in North Dakota, nor natural gas in Pennsylvania. The MLP’s promise to pay investors 90% of Distributable Cash Flow (DCF) came into conflict with their desire to invest in new projects. The older, wealthy Americans who owned MLPs were there for the regular income. Foregoing some of today’s distributions in exchange for the promise of higher future returns wasn’t appealing, and MLPs turned out to be a poor source of growth capital. MLPs began “simplifying”, in many cases becoming regular corporations where payout ratios are far less than 90% and investors are global. In short, the older, wealthy American turned out to be the wrong type of investor for midstream energy infrastructure’s response to the Shale Revolution. MLPs were no longer equivalent to energy infrastructure.

We’ve watched and participated in this evolution as investors. It’s an ongoing source of considerable frustration to many that the energy sector has performed so poorly when the fundamentals appear so promising. The price of oil peaked along with sentiment in 2014, since when the S&P Energy ETF (XLE) has dropped 18% while the broader S&P500 is up 52%. Volumes continue to grow, with crude oil, natural gas and its related liquids (such as ethane and propane) all reaching new records this year.

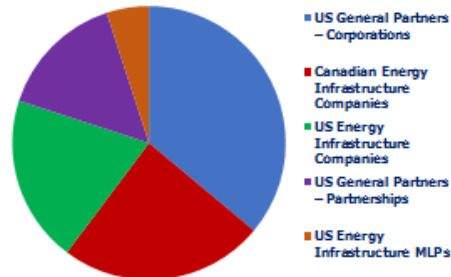


Choose Diverse Energy Infrastructure over MLPs

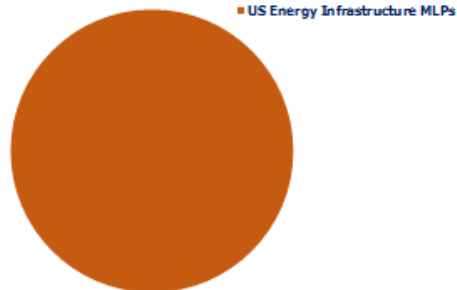
Comparison of sector allocations between indices

Sources: Alerian; SL Advisors

American Energy Independence Index



Alerian MLP Index



The higher volumes will ultimately drive higher profits for the midstream infrastructure businesses that gather, process, transport and store them, although the alignment of production and stock returns is becoming an interminable wait. In the meantime, the vast majority of funds that specialize in energy infrastructure are

dedicated MLP funds. They face a tax drag (see [AMLP's Tax Bondage](#)), and a shrinking pool of names (see [The Alerian Problem](#)).

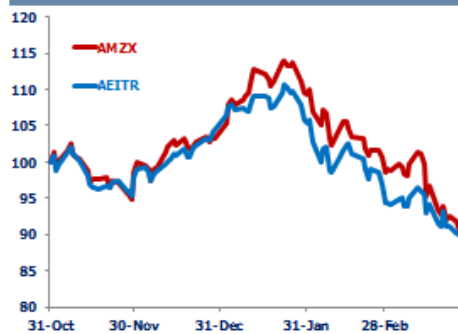
Corporations, not MLPs, control U.S. energy infrastructure. And yet, some of the biggest operators such as Kinder Morgan (KMI, market cap \$34BN), Oneok Inc (OKE, market cap \$24BN), Williams Companies (WMB, market cap \$21BN) or Cheniere Inc (LNG, market cap \$13BN) don't appear in the MLP-dedicated funds that, as a result, no longer represent a broad investment in energy infrastructure.



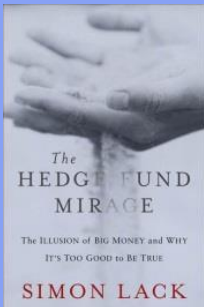
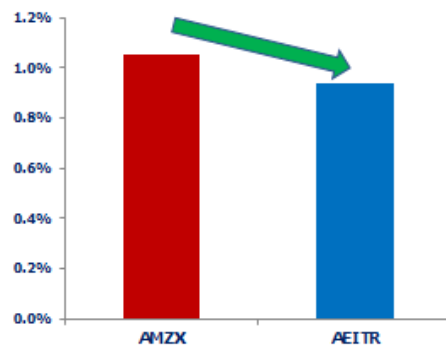
Broader Exposure = Less Volatility

Comparison of AEITR and AMZX
Sources: Alerian; SL Advisors

American Energy Independence Index since inception versus Alerian MLP Index



Average Daily Moves 11% Lower



The American Energy Independence Index (AEITR) constituents have a market cap of more than twice that of the Alerian Index. The AEITR also includes General Partners (GPs), whose control of many MLPs provides them with preferential rights as well as being the investment of choice for most management teams (see [MLPs and Hedge Funds Are More Alike Than You Think](#)). The AEITR includes some Canadian names, since North America's pipeline network crosses the border in numerous places and some significant elements of U.S. infrastructure are connected to their northern neighbor's network.

The result is a far more complete representation of midstream infrastructure. The American Energy Independence Index represents the future, which increasingly is corporate ownership of assets, versus the outdated model limited to MLP ownership. For investors seeking to follow the Shale Revolution's drive towards American Energy Independence, we believe it offers a superior way to participate.

We launched the index in November, and its associated ETF in December. We think because AEITR is more diversified, it has demonstrated 11% smaller average daily moves than the Alerian Index. Given Alerian's shrinking pool of eligible MLP names and more concentrated sector exposure, we expect the American Energy Independence Index to continue exhibiting lower volatility.

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.

Performance Tables
Midstream Energy Infrastructure
(General Partner Focused)

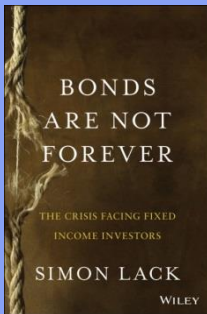
MLP Strategy (K-1s)						Since Inception 121%					Index		60%
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2008	-0.6	3.1	-0.7	2.0	4.2	-10.6	-1.9	0.7	-14.9	-1.0	-22.0	2.9	-35.5
<i>Index</i>	<i>-0.6</i>	<i>-0.5</i>	<i>-6.3</i>	<i>7.3</i>	<i>1.0</i>	<i>-4.9</i>	<i>-1.7</i>	<i>1.7</i>	<i>-17.2</i>	<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	-6.8	7.4	5.1	40.8
<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>2.3</i>	<i>4.4</i>	<i>18.3</i>
2017	0.7	0.2	0.9	-2.9	-5.7	1.2	0.8	-3.4	2.1	-5.8	-2.2	6.8	-7.9
<i>Index</i>	<i>4.9</i>	<i>0.4</i>	<i>-1.3</i>	<i>-1.3</i>	<i>-4.5</i>	<i>-0.6</i>	<i>1.3</i>	<i>-4.9</i>	<i>0.7</i>	<i>-4.1</i>	<i>-1.4</i>	<i>4.8</i>	<i>-6.5</i>
2018	3.0	-11.1	-4.0										-12.1
<i>Index</i>	<i>5.8</i>	<i>-9.7</i>	<i>-6.9</i>										<i>-11.1</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.

Midstream Energy Infrastructure (Continued)

Energy Infrastructure Strategy (1099s)						Since Inception					-14%	Index	-26%
	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	-5.4	6.2	2.1	60.5
<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>2.3</i>	<i>4.4</i>	<i>18.3</i>
2017	-1.6	-1.0	0.8	-3.2	-6.7	1.9	3.7	-4.3	2.8	-6.1	-0.6	5.8	-9.1
<i>Index</i>	<i>4.9</i>	<i>0.4</i>	<i>-1.3</i>	<i>-1.3</i>	<i>-4.5</i>	<i>-0.6</i>	<i>1.3</i>	<i>-4.9</i>	<i>0.7</i>	<i>-4.1</i>	<i>-1.4</i>	<i>4.8</i>	<i>-6.5</i>
2018	-0.2	-9.4	-2.5										-11.8
<i>Index</i>	<i>5.8</i>	<i>-9.7</i>	<i>-6.9</i>										<i>-11.1</i>

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



Low Volatility Strategies

Low Vol Long Only							Since Inception				83%	Index		95%
	Jan	Feb	Mar	April	May	June	Jul y	Aug	Sept	Oct	Nov	Dec	YTD	
2012								0.2	1.9	0.0	1.0	-0.2	2.9	
<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	0.5	-0.9	2.3	2.6	10.1	
<i>Index</i>	0.7	4.5	-0.1	1.1	2.7	-0.3	1.4	0.9	0.8	1.9	3.9	-1.1	17.4	
2018	2.2	-6.1	-0.7										-4.7	
<i>Index</i>	2.7	-4.2	0.9										-0.9	

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				33%	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	-0.6	-1.9	1.3	2.4	0.0
<i>Index</i>	0.7	0.0	0.7	0.1	-1.5	0.6	0.5	0.9	0.6	-0.3	0.0	-0.8	1.7
2018	-0.4	-5.2	1.0										-4.6
<i>Index</i>	1.2	-0.3	-0.6										0.3

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

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

SL Advisors MLP Strategy

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

SL Energy Infrastructure Strategy

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

SL Advisors Low Vol Long Only Strategy

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

SL Advisors Low Vol Hedged Strategy

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

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

Bonds Are Not Forever; The Crisis Facing Fixed Income Investors

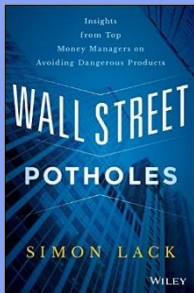
and

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

are all available at Amazon.com.

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

Follow us on **Twitter** @SimonLack



DISCLOSURES

MLP Strategy

Returns for the MLP Strategy reflect the performance of the composite of all discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP index is shown for comparison purposes only. The Alerian MLP is a float-adjusted, capitalization-weighted index, which tracks 50 large- and mid-cap energy Master Limited Partnerships (MLPs), capturing 75% of available market capitalization. This index tracks securities which most closely correlate to the securities in which the MLP strategy invests. You cannot invest directly in an index. Past performance is no guarantee of future results.

Energy Infrastructure Strategy

The Energy Infrastructure Strategy seeks to invest in the General Partners (GPs) of Master Limited Partnerships (MLPs) and other energy infrastructure businesses solely through C-corps rather than partnerships. Consequently, the tax reporting consists of 1099s rather than the K-1s common with MLPs. Returns for the Energy Infrastructure Strategy reflect the performance of a composite comprised of all fee-paying discretionary accounts invested in this strategy. The returns shown reflect the deduction of an annual advisory fee, as well as other charges incurred by the accounts, including brokerage and custodian fees. The returns shown also include reinvestment of dividends and other earnings. The performance of the Alerian MLP Index is shown for comparison purposes only. The Alerian MLP Index is a float-adjusted, market-capitalization weighted index of publicly traded MLPs. This index best reflects the universe of stocks from which the Energy Infrastructure Strategy seeks to invest. You cannot invest directly in an index. Past performance is no guarantee of future results.

Low Vol Long Only Strategy

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

Low Vol Hedged Strategy

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

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

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