



# In Pursuit of Value

April, 2015

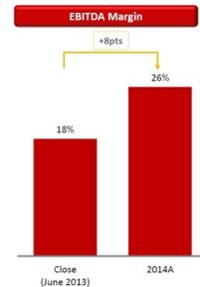
## Quarterly Outlook

Individual risk appetites vary like most issues about which people hold opinions, and they can sometimes surprise you. A few weeks ago over dinner with another couple, one guest asked me about our riskiest strategy, because she wanted to make money in a hurry. I've written before about what Behavioral Finance teaches on male versus female approaches to investing, which includes that males are more typically risk-seekers (often irrationally so). Successful investing relationships depend in part on avoiding poor match-ups; clients with a bigger risk appetite than mine are likely to be disappointed, and an enjoyable dinner remained so by gently limiting our friendship to non-financial matters.

Our High Dividend/Low Beta ("HighDiv") and Hedged Dividend Capture ("DivCap") Strategies both hold diversified portfolios of large cap companies with understandable business models, a reliable history of growing dividends and strong balance sheets. Although these stocks can move like any other, they generally have more stable operating performance than the average S&P500 company. We believe that investing in a diversified portfolio of names that are hopefully boring on a daily basis can over the long run produce an attractive yet low risk return. Nonetheless, the persistent strength in the US\$ in recent months has led many of these multinationals to report weaker than expected foreign sales because of this currency headwind. Rising rates in the U.S. compared with rounds of QE in Japan and the Eurozone offer little prospect of a respite. Then the merger of Kraft (KRFT) with Heinz revealed the potential for improved operating efficiencies in food companies with decades of operating history.

### Transformational Changes at Heinz since Acquisition

- **Announced new leadership team on Day One after transaction**
  - Mix of Heinz top talent and 3G nominees
- **Realized \$1 billion operating improvements<sup>(1)</sup>**
  - Implemented Zero-Based Budgeting and Management by Objectives
  - Simplified corporate structure
  - Rationalized manufacturing footprint
- **Sharpened focus on day-to-day operations**
  - Global standard for monthly performance routines
  - Individual performance targets for 3,500+ employees
- **Rolled-out Vision & Values globally**
  - Launched People and Culture pillars
  - Promoted 1,400 top Heinz talent to management



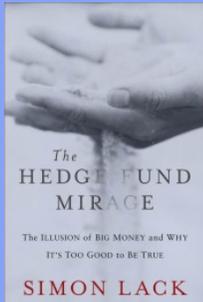
19 (c) Annualized run rate basis.

We used to be invested in Heinz, until it was taken private by Brazilian investment firm 3G and Berkshire Hathaway in 2013. Since then, their EBITDA margin has jumped from 18% to 26% as shown in the chart. As an operator, 3G is clearly raising the bar for competitors with their "zero based budgeting" (ZBB). The reaction of analysts on the conference call to discuss the transaction was one of audible amazement. The impact was most immediately visible in the stock price of KRFT as investors reassessed the potential to trim fat. But it was also felt farther afield, as the following day on Conagra Foods' (CAG) earnings call Citigroup's analyst asked why ZBB couldn't result in "...dramatically larger efforts..." at CAG to emulate what 3G achieved. CAG CEO Gary Rodkin responded with a brief and bland response, no doubt contemplating how CAG's non-3G-like 8.8% 2014 EBITDA margin must now appear to the activist hedge funds in the wings. While Samuel Johnson once said that, "When a man knows he is to be hanged...it concentrates the mind wonderfully," investors in CAG must similarly hope that the possible loss of (clearly ample) corporate perks will improve Gary Rodkin's focus. We are invested in KRFT and CAG.

The broader point though is that the revelation of 3G's operating success can be expected to cause many other low beta, consumer staples sector companies to revisit their operating models or face more hostile investor challenges to their failure to do so.

One thing we've learned from the Fed's greater openness about their deliberations in recent years is that they're not very good at forecasting. Back in January 2012 when they started providing detailed information on each FOMC member's forecasts for interest rates (dubbed the "dot plot" by the media because of the format of blue dots used to present the information), they believed that by now they'd have started raising rates already and were on average projecting a Fed Funds rate of over 2% for the end of this year. Last month when they released their current projections, the year-end 2015 rate forecast was 0.63% (median) or 0.77% (average). This is in

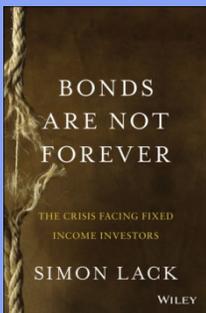
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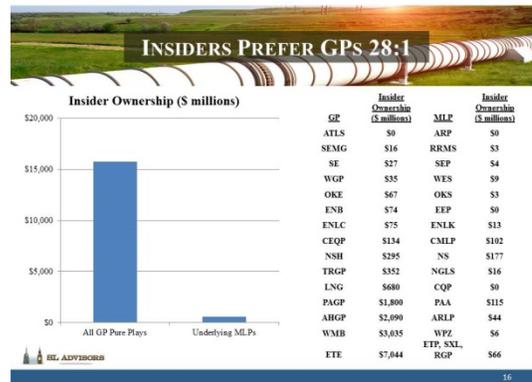
spite of the fact that Unemployment has fallen faster than they expected; December 2014's Unemployment rate of 5.6% was fully 1.5% below their central expectation three years earlier. Many private forecasters and not just FOMC members have consistently erred on the side of expecting higher interest rates. Bonds continue to defy expectations in offering paltry yields. Lower inflation across the developed world is a good part of the reason. Lower for longer has been the most reliable posture for forecasting interest rates.

Of additional interest is that the FOMC has steadily, if at times imperceptibly, lowered their estimated "equilibrium" rate, which we might interpret as the level which they ultimately expect short term rates to reach. Perhaps acknowledging the reduced risks of inflation, they've knocked 0.5% off their long term forecast since 2012. On March 18 when subtle but widely expected parsing of the language in their press release signaled tightening was ever more proximate, bond yields nonetheless fell. The reason was a quite dramatic (at least by the dull standards of Fed press releases) drop in their current forecasts of as much as 0.70% for year-end 2016.

The bond market has consistently expressed little respect for its biggest sponsor (the Fed currently owns \$4.2 trillion in bonds between treasuries and mortgage backed securities) by offering yields that are incongruous with the FOMC's forecast path of short term rates. Or put another way, the Fed itself has for years (until Quantitative Easing officially stopped last year) been committing capital at yields that contradict their own forecasts. The world's biggest buyer was and remains price-insensitive, non-value seeking.

While all these machinations are fascinating to some, more relevant to many is that short term interest rates are likely to move higher this year, and induce clients to enquire of their investment manager, "What do you plan to do about it?" Master Limited Partnerships (MLPs) are one choice for yield-seeking investors and are therefore conventionally believed to be vulnerable to rising rates along with other related asset classes such as utilities and REITs. Distribution yields on MLPs are frequently compared with the ten year treasury, and at a spread of 4.3%, today's 6.3% yield on the benchmark Alerian Index is 1% wider with respect to treasuries than the long term average. However, MLP returns are completely uncorrelated with returns on AAA bonds. Their strongest statistical relationship is with high yield bonds, and rising rates can reflect stronger growth which is good for non-investment grade borrowers or can cause a re-pricing lower of all forms of debt.

In our MLP Strategy our focus on the General Partners (GPs) of MLPs means we own securities with lower yields but higher growth prospects than the MLP market overall. An example is Plains All America (PAA), and its GP, Plains GP Holdings (PAGP). PAA currently yields 5.9% (based on its expected 2015 distribution) and management is forecasting 7% growth. By contrast, PAGP yields around 3% on the same basis with 21% targeted growth. Either may be a sound investment, although we strongly favor PAGP. While investing in the MLP sector through securities that often yield far less than the benchmark may appear to be an ill-advised way to operate in a sector regarded as sought for yield, we believe the faster growth prospects and superior economics and governance rights enjoyed by GPs easily compensates for the lower yields. Moreover, we think that securities whose return relies less on their yields should be less vulnerable to rising yields elsewhere. This is part of our answer to the client question posed above.



Another striking case for favoring the GPs comes from the actions of the managements. As the chart above shows (first used in a recent blog post), insiders favor GPs over the underlying MLPs by a factor of 28:1. In the case of PAGP/PAA the ratio is over 15:1. We are invested in PAGP.

### 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.

**Performance Tables (Net of fees)**

MLP Strategy						Since Inception 224%					Index 129%		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>2008</b>	<b>-0.6</b>	<b>3.1</b>	<b>-0.7</b>	<b>2.0</b>	<b>4.2</b>	<b>-10.6</b>	<b>-1.9</b>	<b>0.7</b>	<b>-14.9</b>	<b>-1.0</b>	<b>-22.0</b>	<b>2.9</b>	<b>-35.5</b>
<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>
<b>2009</b>	<b>15.5</b>	<b>-2.0</b>	<b>5.1</b>	<b>5.9</b>	<b>10.0</b>	<b>-1.0</b>	<b>10.2</b>	<b>0.2</b>	<b>1.1</b>	<b>2.3</b>	<b>6.3</b>	<b>5.1</b>	<b>75.0</b>
<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>
<b>2010</b>	<b>0.8</b>	<b>5.5</b>	<b>2.1</b>	<b>2.5</b>	<b>-4.4</b>	<b>5.2</b>	<b>5.9</b>	<b>-1.5</b>	<b>5.1</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>	<b>33.0</b>
<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>
<b>2011</b>	<b>1.3</b>	<b>5.2</b>	<b>0.1</b>	<b>2.7</b>	<b>-4.2</b>	<b>1.9</b>	<b>-2.4</b>	<b>-0.2</b>	<b>-3.3</b>	<b>9.2</b>	<b>0.2</b>	<b>6.9</b>	<b>17.6</b>
<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>
<b>2012</b>	<b>1.7</b>	<b>5.3</b>	<b>-3.6</b>	<b>0.9</b>	<b>-7.0</b>	<b>3.3</b>	<b>5.8</b>	<b>3.2</b>	<b>2.3</b>	<b>-0.8</b>	<b>0.3</b>	<b>-3.0</b>	<b>7.8</b>
<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>
<b>2013</b>	<b>12.9</b>	<b>1.8</b>	<b>5.8</b>	<b>-0.5</b>	<b>-1.1</b>	<b>2.7</b>	<b>0.3</b>	<b>-0.3</b>	<b>1.4</b>	<b>2.4</b>	<b>4.1</b>	<b>3.5</b>	<b>37.3</b>
<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>
<b>2014</b>	<b>1.5</b>	<b>2.6</b>	<b>3.9</b>	<b>2.4</b>	<b>5.6</b>	<b>9.6</b>	<b>-4.0</b>	<b>7.5</b>	<b>-1.5</b>	<b>-4.0</b>	<b>0.4</b>	<b>-3.0</b>	<b>21.9</b>
<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>
<b>2015</b>	<b>-3.0</b>	<b>5.8</b>	<b>-1.0</b>										<b>1.6</b>
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>										<i>-5.2</i>

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

Hedged Dividend Capture Strategy ("DivCap")					Since Inception 28%						Index 3%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
<b>2011</b>										<b>0.3</b>	<b>0.3</b>	<b>3.6</b>	<b>4.3</b>
<i>Index</i>										<i>0.6</i>	<i>-0.2</i>	<i>0.2</i>	<i>0.6</i>
<b>2012</b>	<b>-3.5</b>	<b>-2.0</b>	<b>1.2</b>	<b>1.7</b>	<b>1.2</b>	<b>2.2</b>	<b>1.1</b>	<b>-1.3</b>	<b>0.5</b>	<b>0.8</b>	<b>0.6</b>	<b>-0.6</b>	<b>1.8</b>
<i>Index</i>	<i>0.4</i>	<i>-0.8</i>	<i>-1.2</i>	<i>-1.5</i>	<i>-0.4</i>	<i>-1.5</i>	<i>-0.1</i>	<i>-0.1</i>	<i>-0.3</i>	<i>0.2</i>	<i>0.5</i>	<i>0.1</i>	<i>-4.7</i>
<b>2013</b>	<b>2.9</b>	<b>3.5</b>	<b>4.1</b>	<b>0.9</b>	<b>-2.8</b>	<b>1.1</b>	<b>1.4</b>	<b>-3.0</b>	<b>-0.4</b>	<b>3.2</b>	<b>-0.7</b>	<b>-0.4</b>	<b>10.0</b>
<i>Index</i>	<i>0.4</i>	<i>0.2</i>	<i>0.0</i>	<i>0.5</i>	<i>0.2</i>	<i>-0.6</i>	<i>0.6</i>	<i>-1.6</i>	<i>-0.1</i>	<i>1.4</i>	<i>0.6</i>	<i>0.2</i>	<i>1.7</i>
<b>2014</b>	<b>-1.6</b>	<b>0.0</b>	<b>1.9</b>	<b>2.4</b>	<b>0.3</b>	<b>0.0</b>	<b>-2.2</b>	<b>3.1</b>	<b>0.2</b>	<b>0.9</b>	<b>1.2</b>	<b>0.3</b>	<b>6.7</b>
<i>Index</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>-1.8</i>	<i>0.4</i>	<i>0.2</i>	<i>0.9</i>	<i>0.3</i>	<i>1.0</i>	<i>-0.1</i>	<i>0.0</i>	<i>3.6</i>
<b>2015</b>	<b>-0.1</b>	<b>-0.1</b>	<b>2.8</b>										<b>2.7</b>
<i>Index</i>	<i>0.1</i>	<i>0.4</i>	<i>1.2</i>										<i>1.7</i>

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

Energy Infrastructure Strategy						Since Inception 31%					Index 4%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
<b>2013</b>								<b>1.2</b>	<b>0.8</b>	<b>4.2</b>	<b>-0.3</b>	<b>6.2</b>	<b>12.5</b>
<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>
<b>2014</b>	<b>0.9</b>	<b>1.6</b>	<b>0.1</b>	<b>4.3</b>	<b>5.0</b>	<b>10.1</b>	<b>-2.6</b>	<b>6.7</b>	<b>-4.1</b>	<b>-2.2</b>	<b>-2.8</b>	<b>-1.1</b>	<b>16.1</b>
<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>
<b>2015</b>	<b>-6.7</b>	<b>5.7</b>	<b>1.7</b>										<b>0.3</b>
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>										<i>-5.2</i>

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

**Performance Tables (Continued)**

High Dividend Low Beta Strategy ("HighDiv")							Since Inception				76%	Index			78%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
<b>2011</b>										<b>5.9</b>	<b>0.1</b>	<b>4.0</b>	<b>10.3</b>		
<i>Index</i>										5.9	1.2	3.2	10.5		
<b>2012</b>	<b>-1.3</b>	<b>0.1</b>	<b>2.8</b>	<b>1.3</b>	<b>-1.8</b>	<b>4.2</b>	<b>1.8</b>	<b>-0.2</b>	<b>1.7</b>	<b>-0.1</b>	<b>0.8</b>	<b>-0.2</b>	<b>9.1</b>		
<i>Index</i>	-0.5	1.9	2.8	1.1	-1.6	4.2	2.1	-0.9	1.7	-0.1	-0.2	-0.5	10.3		
<b>2013</b>	<b>5.4</b>	<b>4.1</b>	<b>6.0</b>	<b>1.9</b>	<b>-1.6</b>	<b>0.4</b>	<b>4.0</b>	<b>-4.6</b>	<b>1.1</b>	<b>5.5</b>	<b>0.7</b>	<b>0.8</b>	<b>25.7</b>		
<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		
<b>2014</b>	<b>-3.5</b>	<b>2.5</b>	<b>2.0</b>	<b>2.9</b>	<b>1.3</b>	<b>0.8</b>	<b>-2.4</b>	<b>5.1</b>	<b>-0.9</b>	<b>2.2</b>	<b>2.4</b>	<b>-0.2</b>	<b>12.7</b>		
<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		
<b>2015</b>	<b>-1.3</b>	<b>2.7</b>	<b>1.8</b>										<b>3.2</b>		
<i>Index</i>	-0.4	1.5	-0.3										0.7		

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

Deep Value Strategy							Since Inception				180%	Index			154%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
<b>2009</b>							<b>8.5</b>	<b>1.0</b>	<b>11.3</b>	<b>0.4</b>	<b>3.5</b>	<b>9.8</b>	<b>39.3</b>		
<i>Index</i>							7.6	3.6	3.7	-1.9	6.0	1.9	22.6		
<b>2010</b>	<b>-1.1</b>	<b>3.8</b>	<b>6.6</b>	<b>3.5</b>	<b>-5.6</b>	<b>-4.5</b>	<b>5.2</b>	<b>7.0</b>	<b>7.8</b>	<b>1.2</b>	<b>1.0</b>	<b>2.7</b>	<b>30.2</b>		
<i>Index</i>	-3.6	3.1	6.0	1.6	-8.0	-5.2	7.0	-4.5	8.9	3.8	0.0	6.7	15.1		
<b>2011</b>	<b>0.2</b>	<b>2.2</b>	<b>1.9</b>	<b>2.5</b>	<b>-2.3</b>	<b>-2.9</b>	<b>0.6</b>	<b>-5.2</b>	<b>-9.2</b>	<b>12.3</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-2.3</b>		
<i>Index</i>	2.4	3.4	0.0	3.0	-1.1	-1.7	-2.0	-5.4	-7.0	10.9	-0.2	1.0	2.1		
<b>2012</b>	<b>4.4</b>	<b>5.2</b>	<b>0.9</b>	<b>2.0</b>	<b>-8.8</b>	<b>3.8</b>	<b>0.7</b>	<b>3.6</b>	<b>3.3</b>	<b>-0.9</b>	<b>-2.6</b>	<b>1.0</b>	<b>12.4</b>		
<i>Index</i>	4.5	4.3	3.3	-0.6	-6.0	4.1	1.4	2.3	2.6	-1.8	0.6	0.9	16.0		
<b>2013</b>	<b>6.4</b>	<b>0.6</b>	<b>4.3</b>	<b>1.6</b>	<b>2.1</b>	<b>-1.6</b>	<b>4.3</b>	<b>-1.2</b>	<b>1.7</b>	<b>3.1</b>	<b>2.0</b>	<b>5.1</b>	<b>31.9</b>		
<i>Index</i>	5.2	1.4	3.8	1.9	2.3	-1.3	5.1	-2.9	3.1	4.6	3.0	2.5	32.3		
<b>2014</b>	<b>-4.7</b>	<b>5.2</b>	<b>0.3</b>	<b>2.3</b>	<b>1.3</b>	<b>4.7</b>	<b>-2.3</b>	<b>6.3</b>	<b>-5.6</b>	<b>-1.4</b>	<b>-0.7</b>	<b>-1.8</b>	<b>2.7</b>		
<i>Index</i>	-3.5	4.6	0.8	0.7	2.3	2.1	-1.4	4.0	-1.4	2.4	2.7	-0.3	13.7		
<b>2015</b>	<b>-6.0</b>	<b>9.1</b>	<b>1.2</b>										<b>3.7</b>		
<i>Index</i>	-3.0	5.7	-1.6										1.0		

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

Low Beta Long/Short Strategy ("LBLS")							Since Inception				122%	Index			1%
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD		
<b>2011</b>			<b>-3.5</b>	<b>19.4</b>	<b>6.5</b>	<b>4.5</b>	<b>0.0</b>	<b>9.1</b>	<b>-1.1</b>	<b>6.7</b>	<b>1.9</b>	<b>1.5</b>	<b>52.6</b>		
<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		
<b>2012</b>	<b>-5.1</b>	<b>-1.6</b>	<b>5.7</b>	<b>3.3</b>	<b>1.1</b>	<b>2.4</b>	<b>3.2</b>	<b>-2.2</b>	<b>2.1</b>	<b>0.7</b>	<b>0.2</b>	<b>-1.3</b>	<b>8.6</b>		
<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		
<b>2013</b>	<b>7.9</b>	<b>6.2</b>	<b>6.5</b>	<b>3.2</b>	<b>-2.1</b>	<b>-0.7</b>	<b>4.0</b>	<b>-2.1</b>	<b>0.3</b>	<b>0.4</b>	<b>-2.8</b>	<b>2.0</b>	<b>24.5</b>		
<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		
<b>2014</b>	<b>-5.6</b>	<b>-0.6</b>	<b>1.2</b>	<b>3.0</b>	<b>-1.0</b>	<b>3.6</b>	<b>-0.7</b>	<b>5.1</b>	<b>-0.6</b>	<b>-0.9</b>	<b>2.3</b>	<b>1.3</b>	<b>6.8</b>		
<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		
<b>2015</b>	<b>-1.2</b>	<b>-0.1</b>	<b>2.0</b>										<b>0.8</b>		
<i>Index</i>	-0.3	2.0	0.3										2.1		

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](http://www.sl-advisors.com)*

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

#### **SL Advisors MLP Strategy**

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

#### **SL Energy Infrastructure Strategy**

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

#### **SL Advisors Hedged Dividend Capture Strategy**

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

#### **SL Advisors High Dividend Low Beta Strategy**

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

#### **SL Advisors Deep Value Equity Strategy**

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

#### **SL Advisors Low Beta Long-Short Strategy**

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

***Bonds Are Not Forever; The Crisis Facing Fixed Income Investors  
is available at [Amazon.com](http://www.amazon.com).***

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

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## DISCLOSURES

### **MLP Strategy**

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

### **Energy Infrastructure Strategy**

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

### **Hedged Dividend Capture Strategy (“DivCap”)**

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

### **High Dividend Low Beta Strategy (“HighDiv”)**

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

### **Deep Value Strategy**

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

### **Low Beta Long/Short Strategy (“LBLS”)**

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