



In Pursuit of Value

May, 2016

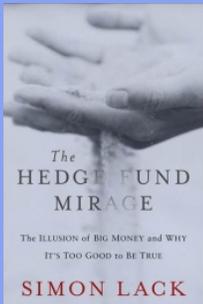
Filling Up (Originally published on our blog May 1, 2016)

“Yes, but are the pipes full?”

This was the pointed and entirely reasonable question of one investor several weeks ago after hearing that the energy infrastructure sector offered compelling value. It cuts directly to the crux of the issue. You can discuss the sanctity of contracts, stability of cashflows, limited commodity exposure and yet the most fundamental metric about any toll-based business model is how much of its capacity is being used. If you own a bridge you care little about the price of cars but are happy to see heavy traffic passing through your tollbooths. While Master Limited Partnerships (MLPs) never claimed immunity to falling oil and gas prices, high utilization of their assets is unambiguously good.

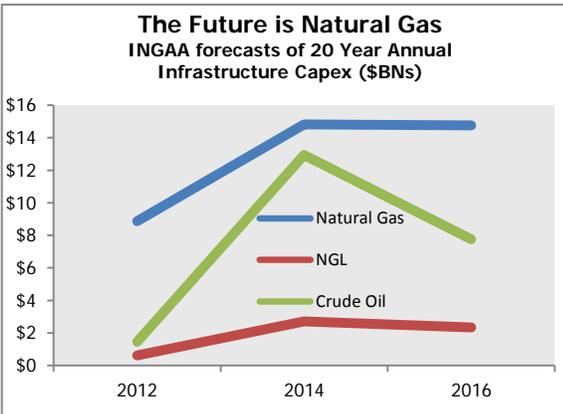
It would be nice if there was a heat-map of all the pipelines in North America that showed their utilization with different colors. Sadly, no such scoreboard exists and so the view has to be assembled piece by piece. Earnings reports from individual MLPs provide a contemporaneous picture of utilization. Some first quarter reports have already been released and the signs are generally good. NuStar (NS) noted increasing demand for their Eagle Ford pipeline assets which was surprising given weakening output in that play. Noted shale driller Pioneer Natural Resources (PXD) reported higher than expected crude production with continued declining costs. Some of their horizontal wells extend over 10,000 feet laterally, improving productivity. They now expect production costs in 2016 of \$9-11 per barrel of oil equivalent (BOE). In 1Q16 these costs were down 20% on the prior year’s first quarter. They report some wells have operating costs as low as \$5-\$7 per BOE.

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



The clearest indication that existing infrastructure is being used is the need for more. For long term supply/demand, a good place to start is with the INGAA Foundation which periodically publishes their view on natural gas, natural gas liquids (NGLs) and crude oil and their corresponding infrastructure requirements. If the pipes/storage facilities/fractionators etc. are generally not fully utilized, the need for new infrastructure will be reduced.

INGAA recently published an updated long term outlook. It’s instructive to link their 2012 and 2014 forecasts with their current one. Forecasting the supply and demand for

natural gas, NGLs and crude oil over twenty years is by no means an exact science. Key inputs include economic growth in the U.S. and elsewhere, government policy regarding carbon emissions and, not least, the prices of the underlying hydrocarbons themselves. Like some Exploration and Production (E&P) companies, INGAA found itself swept up in the promise of the shale revolution. From 2012 to 2014 their estimate of new crude oil infrastructure investment jumped by a factor of eight, only to be slashed by 40% in response to the collapse in crude prices.

INGAA’s current forecast of \$7.8BN in annual crude oil-related capex is no more likely to be accurate than in the past, heavily dependent as it is on the future price of oil. In 2014 they based their \$12.9BN (annual capex figures are all inflation-adjusted to 2016) forecast of annual capex over 20 years on \$100 per barrel, and now they’re forecasting an eventual move to \$75 by 2025 (the High Case) or by 2030 (the Low Case). Predicting the price of oil is hard. Although some commentators have claimed the U.S. is the swing oil producer with the ability to quickly ramp up production, PXD’s

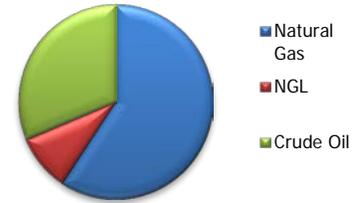
CEO Scott Sheffield highlighted that although their rig crews could bring a well online in 4-5 months, it would take the U.S industry two years to meaningfully increase production back up, due to a current focus on bringing down leverage as well as the time it takes to rehire and train workers.

While the futures market lets you lock in the prices shown for a year or two, futures are a poor forecast of where the market will actually be. The spot price combined with the costs of storage, impacted somewhat by hedging activity, set the futures price. And yet today's spot price pays little heed to the approximately \$350BN of reduced capex by E&P companies globally, the approximately 5% annual depletion of today's aggregate sources of production, the 1.5MM bbls/day of annual demand growth, or that global spare capacity is near the lowest levels in history.

By contrast with the unpredictability of crude oil prices and the related infrastructure need, the outlook for natural gas has been remarkably stable. INGAA raised their expectations in 2014 and kept them unchanged in 2016. Beneath the figures though there are some substantial shifts. The north east U.S. is becoming a prolific regional exporter of natural gas, which is creating more demand for take-away capacity as well as causing the reversal of transmission pipelines to run *from* the north east rather than *towards*. Insufficient takeaway capacity in the Marcellus has hurt producers¹. Liquid Natural Gas (LNG) exports via seaborne tankers are a growing source of demand, as are exports via pipeline to Mexico. Canadian bitumen-based crude oil production ('tar-sands') uses natural gas to heat the bitumen to a semi-liquid state. The long lead times for such projects assure that Canadian crude production will increase.

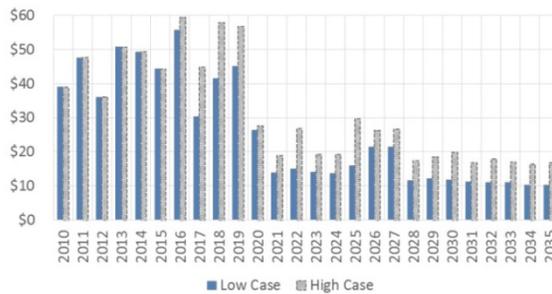
INGAA went with a High and Low Case forecast in their 2016 release (figures above are based on the midpoint between the two). U.S. energy infrastructure is much more about natural gas and NGLs, with only 7% of pipelines being dedicated to crude oil. Infrastructure doesn't get built without customers being signed up. Kinder Morgan (KMI) recently shelved their North East Direct (NED) plan to expand natural gas supply and storage to New England because they could only achieve a

2015-35 INGAA Forecast Capex on Infrastructure (Billions of 2015\$) \$522



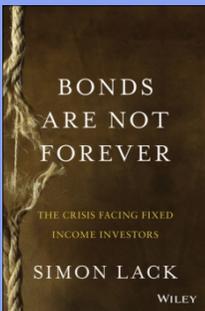
projected 6% return. A mild winter caused memories of \$40 natural gas to fade in Boston (versus \$2-\$4 per MCF more commonly). While the project would have contributed to growing earnings at KMI, its cancellation shows why natural gas pipelines don't normally sit unused. We are invested in KMI.

Figure 35: Annual Capital Expenditures for New Infrastructure, Year of Commissioning, Billions of 2015 Dollars



As the chart (from INGAA) showing annual capital expenditure highlights, a good portion of the infrastructure spend is set to occur within the next few years. Many of these projects are already under construction since the data is presented based on the year that a project is completed; a good portion of the capex will have occurred in prior years.

In spite of last year's MLP collapse, expected U.S. natural gas and NGL output didn't change much; America's energy infrastructure continues to be augmented. Moreover, a good part of the spending is occurring over just a few years. As this grows the asset base of MLPs, it will highlight the substantial advantages enjoyed by MLP General Partners (GPs), for at times of asset growth the MLP GP looks like a hedge fund manager. Our investing [strategies](#) and [fund](#) are designed to exploit this.



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

¹ North American Midstream Infrastructure Through 2035: Leaning into the Headwinds. INGAA, Pg 36

Performance Tables

Midstream Energy Infrastructure

(General Partner Focused)

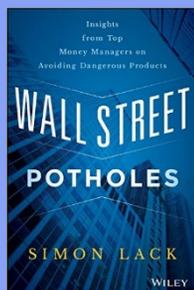
MLP Strategy (K-1s)							Since Inception 115%				Index			73%
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD	
2008	-0.6	3.1	-0.7	2.0	4.2	-10.6	-1.9	0.7	-14.9	-1.0	-22.0	2.9	-35.5	
<i>Index</i>	-0.6	-0.5	-6.3	7.3	1.0	-4.9	-1.7	1.7	-17.2	-0.1	-17.1	-3.7	-36.9	
2009	15.5	-2.0	5.1	5.9	10.0	-1.0	10.2	0.2	1.1	2.3	6.3	5.1	75.0	
<i>Index</i>	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	
<i>Index</i>	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	
<i>Index</i>	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	
<i>Index</i>	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	
<i>Index</i>	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	
<i>Index</i>	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	
<i>Index</i>	-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									10.7	
<i>Index</i>	-11.1	-0.5	8.3	11.0									6.4	

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				Index			-21%	-19%
	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>								-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		
<i>Index</i>	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		
<i>Index</i>	-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	12.3									18.0		
<i>Index</i>	-11.1	-0.5	8.3	11.0									6.4		

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				60%	Index		58%
	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>								<i>-0.9</i>	<i>1.7</i>	<i>-0.1</i>	<i>-0.2</i>	<i>-0.5</i>	<i>0.0</i>
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>	<i>5.0</i>	<i>2.7</i>	<i>4.9</i>	<i>3.8</i>	<i>-3.4</i>	<i>0.6</i>	<i>4.2</i>	<i>-4.8</i>	<i>2.0</i>	<i>4.6</i>	<i>1.2</i>	<i>1.1</i>	<i>23.6</i>
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>	<i>-2.5</i>	<i>3.7</i>	<i>2.1</i>	<i>1.9</i>	<i>1.0</i>	<i>2.2</i>	<i>-3.8</i>	<i>3.8</i>	<i>-0.9</i>	<i>4.9</i>	<i>3.2</i>	<i>0.9</i>	<i>17.5</i>
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>	<i>-0.4</i>	<i>1.5</i>	<i>-0.3</i>	<i>-2.0</i>	<i>0.9</i>	<i>-1.8</i>	<i>4.3</i>	<i>-4.9</i>	<i>-0.4</i>	<i>6.8</i>	<i>1.1</i>	<i>-0.1</i>	<i>4.3</i>
2016	1.3	1.6	5.5	0.4									9.0
<i>Index</i>	<i>-1.7</i>	<i>1.0</i>	<i>6.0</i>	<i>-0.7</i>									<i>4.5</i>

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					35%	Index 1%		
	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>										<i>0.6</i>	<i>-0.2</i>	<i>0.2</i>	<i>0.6</i>
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>	<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>
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>	<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>
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>	<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>
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>	<i>0.1</i>	<i>0.5</i>	<i>1.0</i>	<i>-1.5</i>	<i>-0.4</i>	<i>1.1</i>	<i>1.4</i>	<i>0.2</i>	<i>2.0</i>	<i>1.1</i>	<i>-0.5</i>	<i>0.3</i>	<i>5.5</i>
2016	3.6	1.4	2.2	-0.6									6.7
<i>Index</i>	<i>-0.2</i>	<i>-1.5</i>	<i>-0.8</i>	<i>-2.3</i>									<i>-4.8</i>

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

Low Vol Best Ideas						Since Inception				106%	Index		-6%
	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>			<i>-0.9</i>	<i>0.5</i>	<i>-1.4</i>	<i>-1.6</i>	<i>-0.1</i>	<i>-3.5</i>	<i>-3.0</i>	<i>0.8</i>	<i>-0.9</i>	<i>-0.4</i>	<i>-10.0</i>
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>	<i>1.7</i>	<i>1.4</i>	<i>0.0</i>	<i>0.1</i>	<i>-1.7</i>	<i>-0.3</i>	<i>0.5</i>	<i>0.5</i>	<i>0.4</i>	<i>-0.5</i>	<i>0.4</i>	<i>0.9</i>	<i>3.5</i>
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>	<i>2.0</i>	<i>0.4</i>	<i>0.7</i>	<i>0.6</i>	<i>0.7</i>	<i>-1.3</i>	<i>1.0</i>	<i>-0.9</i>	<i>1.0</i>	<i>1.2</i>	<i>0.6</i>	<i>0.4</i>	<i>6.5</i>
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>	<i>-0.1</i>	<i>1.6</i>	<i>-0.2</i>	<i>-0.7</i>	<i>0.5</i>	<i>0.9</i>	<i>-0.9</i>	<i>1.1</i>	<i>-0.8</i>	<i>-1.3</i>	<i>0.3</i>	<i>-0.8</i>	<i>-0.4</i>
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>	<i>-0.3</i>	<i>2.0</i>	<i>0.3</i>	<i>0.2</i>	<i>0.3</i>	<i>-1.3</i>	<i>0.0</i>	<i>-2.2</i>	<i>-2.1</i>	<i>1.5</i>	<i>-0.7</i>	<i>-1.3</i>	<i>-3.6</i>
2016	2.1	3.5	2.9	1.2									10.0
<i>Index</i>	<i>-2.8</i>	<i>-0.3</i>	<i>1.8</i>	<i>0.6</i>									<i>-0.8</i>

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](http://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. 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.