



In Pursuit of Value

January, 2018

2017 Year-end Review and Outlook

The Equity Risk Premium (ERP) measures the difference between the earnings yield on the S&P500 and the yield on the ten year treasury. It represents a measure of relative value – valuing stocks in isolation, without considering the risk-free alternative, isn't very useful. Any investment decision is a function of the choices available at that time.

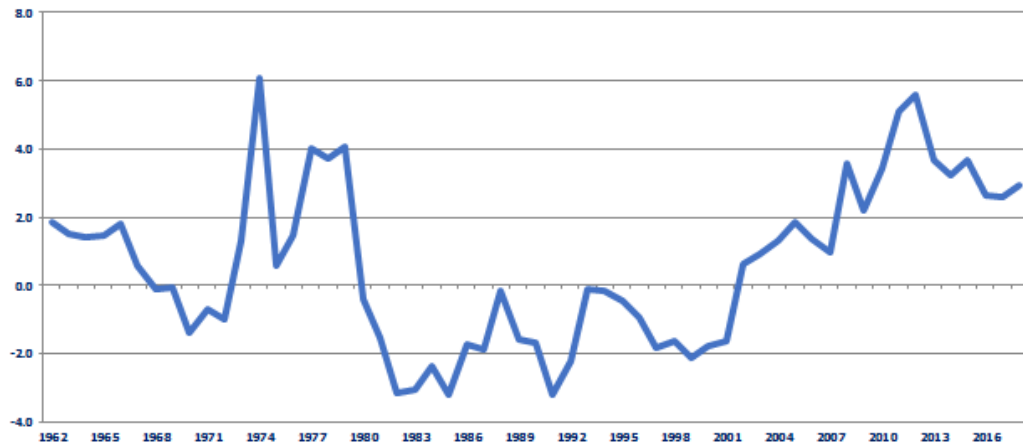
We've been using the ERP for many years in writing about stocks. It's consistently shown equities to be cheap versus their alternative (bonds), and they've duly risen. Even after the 22% return in 2017, stocks still look cheap relative to bonds. Earnings growth has almost kept pace with returns, and interest rates have remained low. Based on 2018 EPS forecasts, stocks continue to be relatively attractive.

Since the valuation case relies on current interest rates, a surprising spike in bond yields could quickly undermine it. A 2% increase in rates would eliminate much of the valuation advantage currently enjoyed by equities. Although not probable, it's possible that a tightening labor market could put upward pressure on inflation and cause the Fed to lift rates more rapidly. Higher rates have been forecast incorrectly for years – few now expect it.



Stocks Still Look Cheap

The Equity Risk Premium -- S&P500 Earnings Yield minus 10 Yr T Note Yield
(Sources: Stern University; Federal Reserve; FactSet; SL Advisors)



The Low Beta Anomaly, which underpins our Low Vol strategies, typically does worst in a very strong, growth-oriented equity market similar to what we saw in 2017. It relies on companies with reliable, stable growth outperforming those with faster, less certain growth (think tortoise versus hare). When investors chase excitement (i.e. the hare), the Low Beta Anomaly doesn't work so well. Put another way, in a market led by FANG (Facebook, Amazon, Netflix and Google), few prognosticators go on CNBC to recommend boringly safe P&G for the next leg up in stocks. Consequently, our Low Vol strategies lagged, although not by as much as we might have feared. With approximately half the volatility of the S&P500, Low Vol Long Only's 10% return was just a little shy of being commensurate with the risk. The flat 2017 performance of Low Vol Hedged following a strong 2016 nonetheless maintained its 6% p.a. long term return. Our Low Vol strategies continue to provide "low-octane" exposure to equities and, in the hedged format, uncorrelated mid-single digit returns.



Energy infrastructure, which comprises most of our assets, was a miserable place for much of the year. Persistent weakness contrasted sharply with the buoyant overall market, and investors were increasingly frustrated. Blog readership was highest when subscribers were most confused, which was typically following another bad week. [MLPs and Tax Reform](#) was the first in several that considered how changes in the tax code would affect MLPs, and this topic generated the most views. As it turned out, MLPs were beneficiaries of the final legislation. [Barrons](#) noted this in late December.

[The Tumult in MLPs](#) was published mid-week in late October, rather than as usual on a Sunday. We were fielding so many calls from perplexed investors that it was obvious people were looking for answers. It received a lot of views. Regular readers will be familiar with our opinion that the shift from growing distributions to financing growth has alienated an entire class of traditional MLP investors who simply wanted regular payouts with no excitement. [The Changing MLP Investor](#) and [More on the Changing MLP Investor](#) articulated this view and continued to draw readers well after they were published. Part of the frustration probably related to [Alerian](#) confusingly showing MLP distributions growing (see [MLP Distributions Through the Looking Glass](#)) while Alerian-linked investment products were cutting payouts.

We also field regular questions on the impact of renewables and electric cars (separate but related topics) on traditional energy demand. We think change will come more slowly than many would like, but we monitor developments carefully, because we recognize change is coming. [A Futurist's Vision of Energy](#) reflects our current thinking and drew a healthy response.

Much of our writing in 2017 sought to explain recent returns, as highlighted above. It was a very difficult year for those seeking near term confirmation of their investment thesis via rising prices. One of the hardest questions asked of an investment manager is to explain why the chosen sector fell last week when it should have risen, especially with little change in fundamentals. Naturally, that's the most common question. The answer most often lies with understanding investor sentiment rather than shifting fundamentals. The former fluctuates far more rapidly.

2017 returns for energy infrastructure were down 8-14% (depending on strategy); not nearly as bad as looked likely in mid-November before the year-end seasonals kicked in and brought a strong rally into year-end. But it felt far worse, and given the 22% return in the S&P500, an allocation to the energy sector still resulted in a substantial drag on performance.

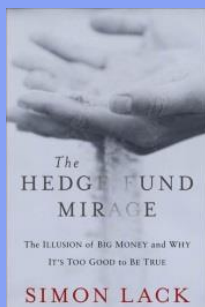
2018 will see the U.S. achieving record output in crude oil, natural gas liquids and natural gas, as the Shale Revolution continues the drive to American Energy Independence. Perhaps unsurprisingly given the 2017 performance divergence, relative valuations in energy infrastructure are highly attractive (see [Falling Taxes and Valuations Boost Energy Infrastructure Outlook](#)). Consensus 2018 earnings growth for the Energy sector is 37% according to [FactSet](#), three times the 11% growth forecast for S&P500 earnings. According to analysts' target prices, energy stocks have the most upside.

We think all these factors will combine to generate attractive returns, and December's 6.5% return in the [American Energy Independence Index](#) is hopefully a step in that direction.

As always, we value the support of, and interaction with, our growing number of clients and friends. A substantial portion of the partners' net worth is invested alongside you. We wouldn't have it any other way.

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.



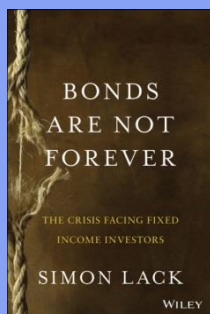
Performance Tables
Midstream Energy Infrastructure
(General Partner Focused)

MLP Strategy (K-1s)							Since Inception 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
<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	-2.1	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>

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 -2%				Index -16%		
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2013								1.2	0.8	4.2	-0.3	6.2	12.5
<i>Index</i>								<i>-0.5</i>	<i>2.3</i>	<i>2.7</i>	<i>0.9</i>	<i>1.6</i>	<i>5.3</i>
2014	0.9	1.6	0.1	4.3	5.0	10.1	-2.6	6.7	-4.1	-2.2	-2.8	-1.1	16.1
<i>Index</i>	<i>0.6</i>	<i>-0.2</i>	<i>1.5</i>	<i>4.3</i>	<i>3.4</i>	<i>5.9</i>	<i>-3.5</i>	<i>8.2</i>	<i>-1.6</i>	<i>-4.6</i>	<i>-2.6</i>	<i>-5.6</i>	<i>4.8</i>
2015	-6.7	5.7	1.8	4.2	-5.3	-2.0	-6.8	-10.2	-15.5	5.4	-12.8	-18.3	-48.3
<i>Index</i>	<i>-3.1</i>	<i>2.1</i>	<i>-4.2</i>	<i>6.2</i>	<i>-3.6</i>	<i>-8.3</i>	<i>-3.2</i>	<i>-5.0</i>	<i>-15.3</i>	<i>9.7</i>	<i>-8.1</i>	<i>-3.6</i>	<i>-32.6</i>
2016	-4.5	-0.7	10.8	12.2	5.7	6.9	0.1	6.1	10.6	-5.4	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	5.7	-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>

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				92%	Index			96%
	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	0.5	-0.9	2.3	2.5	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		

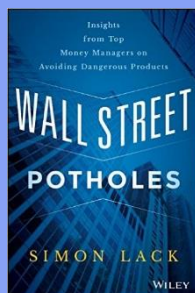
The Index is the S&P 500 Low Volatility Index including dividends. Past performance is not indicative of future returns

Low Vol Hedged						Since Inception				39%	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

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

Low Vol Best Ideas							Since Inception				100%	Index 3%		
	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	-0.9	-2.9	0.5	0.9	-8.6	
<i>Index</i>	0.5	1.2	0.0	0.4	0.2	0.2	0.9	0.3	0.5	0.4	0.1	0.7	6.0	

The Index is the HFRX Global Hedge Fund Index. Returns are net of fees. 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.

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.