



LAKE PARTNERS, INC.®

**LASSO**®

**Long and Short Strategic Opportunities**®

*The Democratization  
of Alternative Investments*™

***Over Eighteen Years of Liquid Alternatives...  
Enhancing the Asset Allocation Process***

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*November 2017 Highlights*

# LASSO HIGHLIGHTS: November 2017

## Performance

- LASSO gained 0.4% in November. LASSO's peer group, the Morningstar Multialternative Category, also was up 0.4%, while its benchmark, the HFRX Equity Hedge Index, had a return of 0.9%. As background, the S&P 500 rose 3.1%, and the Bloomberg Barclays US Aggregate Bond Index was down -0.1%.
- Since LASSO's inception on 12/31/98, it has had a cumulative gain of 129.3% versus 208.7% for the S&P 500 Index. However, LASSO has had only 32% of the daily volatility of the S&P 500, while capturing 62% of the Index's upside. We believe that the program's diversified and well-hedged posture has been effective over time in generating solid growth while dampening volatility.

<b>LASSO<sup>®</sup> Composite Net Performance Highlights*</b>									
	November 2017	QTD 4Q '17	YTD 2017	3-Year	Annualized Returns			Since Inception: 12/31/98	
					5-Year	10-Year	Inception	Cumulative	Volatility**
<b>LASSO<sup>®</sup> Composite (net)</b>	0.4%	1.0%	4.1%	0.5%	2.9%	2.5%	4.5%	129.3%	6.1%
<b>HFRX Equity Hedge Index</b>	0.9%	1.7%	8.9%	1.9%	3.8%	-0.7%	N/A	N/A	N/A
<b>Morningstar Multialternative Category</b>	0.4%	1.2%	5.0%	0.8%	1.7%	0.5%	N/A	N/A	N/A
<b>S&amp;P 500 Stock Index</b>	3.1%	5.5%	20.5%	10.9%	15.7%	8.3%	6.1%	208.7%	19.2%
<b>Bloomberg Barclays US Agg Index</b>	-0.1%	-0.1%	3.1%	2.1%	2.0%	4.0%	4.8%	142.3%	3.7%

## Market Overview

- The primary driver of US equities during November was the Senate's progress towards passage of a tax bill. Yes, economic data continued to strengthen, Fed policy remained stable, and geopolitical developments were relatively calm, but investors were overwhelmingly focused on the tax legislation. This was clearly illustrated by the market's trajectory during the month:
  - The S&P 500 Index was essentially flat for the first half of the month.
  - As tax legislation gained momentum in the Senate, so too did the Index. As reports of building support for a bill emerged, stocks began to perk up and the Index gained 1% by Thanksgiving.
  - In the following week, as passage became clearer, sentiment turned more positive and the equity market gathered momentum, with the S&P 500 index rising another 2% in the last five trading days of the month.

**\*Past performance is no guarantee of future results.**

**See Explanatory Notes and Disclosures on pages 15 and 16.**

*Actual results of individual accounts will vary due to client cash flows, timing of implementation, different custodians, the availability of underlying funds, applicable regulation, and other factors. Small accounts may perform below the composite due to the greater impact of transaction costs.*

**\*\*Annualized standard deviation of daily returns**

# LASSO PORTFOLIO REVIEW: November 2017

## Market Overview (continued)

- Within the US equity market, gains for the month were shared fairly uniformly across growth and value categories, as well as between large-caps and small-caps. The Russell 1000 Growth Index gained 3.0%, while the Russell 1000 Value Index was up 3.1%. Similarly, both the Russell 2000 Growth Index and the Russell 2000 Value Index rose 2.9%. It should be noted, though, that small-caps were down more than -2.0% at mid-month, in sharp contrast to large-caps, which were essentially close to flat at that same point.
- There were more significant differences among industry sectors, partly due to expectations about what kinds of companies would benefit the most under the proposed tax bill. While all of the major sectors were positive in November, telecoms and staples led with gains of 6.0% and 5.7%, respectively. In contrast, materials were up 1.0% and tech gained 1.2%.
- Among developed international equity markets, the MSCI Japan Index was volatile during the month in part due to weaker economic data, but it did finish with a gain of 1.4% in yen and 3.0% in US dollars as the yen strengthened. In contrast, European markets were under pressure for much of the month. The MSCI Europe Index was down -1.7% in local currency terms, but up 0.2% in US dollars as the euro strengthened.
- Among emerging markets, MSCI Russia stood out with a gain of 3.4% as major oil producers agreed to continue to limit output. In contrast, MSCI Brazil dropped -3.1% on investors' concern about a lack of progress on legislation to address pension costs. (Note: all figures for emerging markets in US dollar terms).
- In US fixed income markets, the Treasury yield curve continued to flatten, as the yield on the 10-year note rose from 2.38% at the end of October to 2.41% at the end of November, and 3-month interest rates rose from 1.13% to 1.26%. Credit markets struggled sideways as investors became increasingly concerned about tight spreads. In Europe and Japan, benchmark rates and yields were relatively stable.

# LASSO PORTFOLIO REVIEW: November 2017

## Strategy Leaders & Laggards

- *Leaders:* long-biased equity
- *Positive:* discretionary global macro, equity put writing
- *Mixed:* hedged equity/multi-asset, global/international hedged equity, systematic managed futures
- *Muted:* convertible arbitrage, strategic fixed income
- *Negative:* merger arbitrage

## Portfolio Highlights

- Equity-oriented strategies, including long-biased, hedged, global/international and option approaches, accounted for the bulk of LASSO's return for the month. However, returns were somewhat mixed among the hedged equity and global managers. For example, a dynamically hedged long/short equity ETF outperformed the S&P 500 significantly, while a highly hedged equity manager was out of sync with the market and posted a small loss.
- Our discretionary global macro manager, who tends to focus on global and emerging market bonds and currencies, was up for the month. In contrast, our managed futures strategies were mixed due to various trend reversals and divergences among asset classes.
- Arbitrage strategies were mixed. Our convertible arbitrage allocation was up modestly, but merger arbitrage was negative.
- Collectively, strategic fixed income was slightly positive, outperforming the Bloomberg Barclays US Aggregate Bond Index, which was down. One manager benefited from an emphasis on mortgages, while the other benefited from a defensive posture.

## Macro Perspective

- Looking forward, we continue to expect the investment landscape to be characterized by:
  - a significant degree of dispersion among major equity and fixed income markets around the world (magnified by currency moves);
  - a significant degree of dispersion and rotation within equity and credit markets; and
  - renewed volatility across markets, due to the political and policy uncertainties associated with the Trump administration in the US, as well as "Brexit" and ECB policy in Europe. The markets have largely ignored potential geopolitical flashpoints (such as North Korea and the Middle East), but these could flare up at any time.

# LASSO PORTFOLIO REVIEW: November 2017

## Macro Perspective (continued)

- Our view is that the global investment environment is undergoing a significant transition:
  - In the US, the Federal Reserve has embarked on an effort to normalize interest rates and reduce its balance sheet. While monetary policy may remain cautious, excess liquidity will be less of a factor in driving markets, while fundamentals will be increasingly important. On the one hand, equity markets have been excited by the prospect of fiscal stimulus, tax reform, and deregulation with Trump as president. However, the markets face risks associated with reflation, rising interest rates, the ongoing need to raise the debt ceiling, and potential trade wars. Consequently, volatility and sector rotation will increase, as investors try to sort out the “winners” and “losers” from policy changes.
  - In Europe, there is a disconnect: investors’ have grown increasingly enthusiastic about the improving economy, but they have largely discounted the implication that this will lead to less monetary stimulus, as well as a stronger euro (which would dampen exports). Furthermore, needed structural changes are impeded by the continent’s political patchwork, while the consequences of “Brexit” negotiations remain a wild card. The rise of populist politics across the region poses another uncertainty for investors.
  - In Japan, there is a conundrum: growth continues to be anemic despite ever greater quantitative and qualitative easing.
  - In China, efforts to stimulate the economy conflict with the need to reduce excessive leverage throughout the financial system.
- Although markets have been eerily calm, as indicated by the low levels of the VIX, we believe that this is unsustainable. We expect the crosscurrents stemming from the macro divergences and dissonances to engender turbulence across markets.

## Outlook

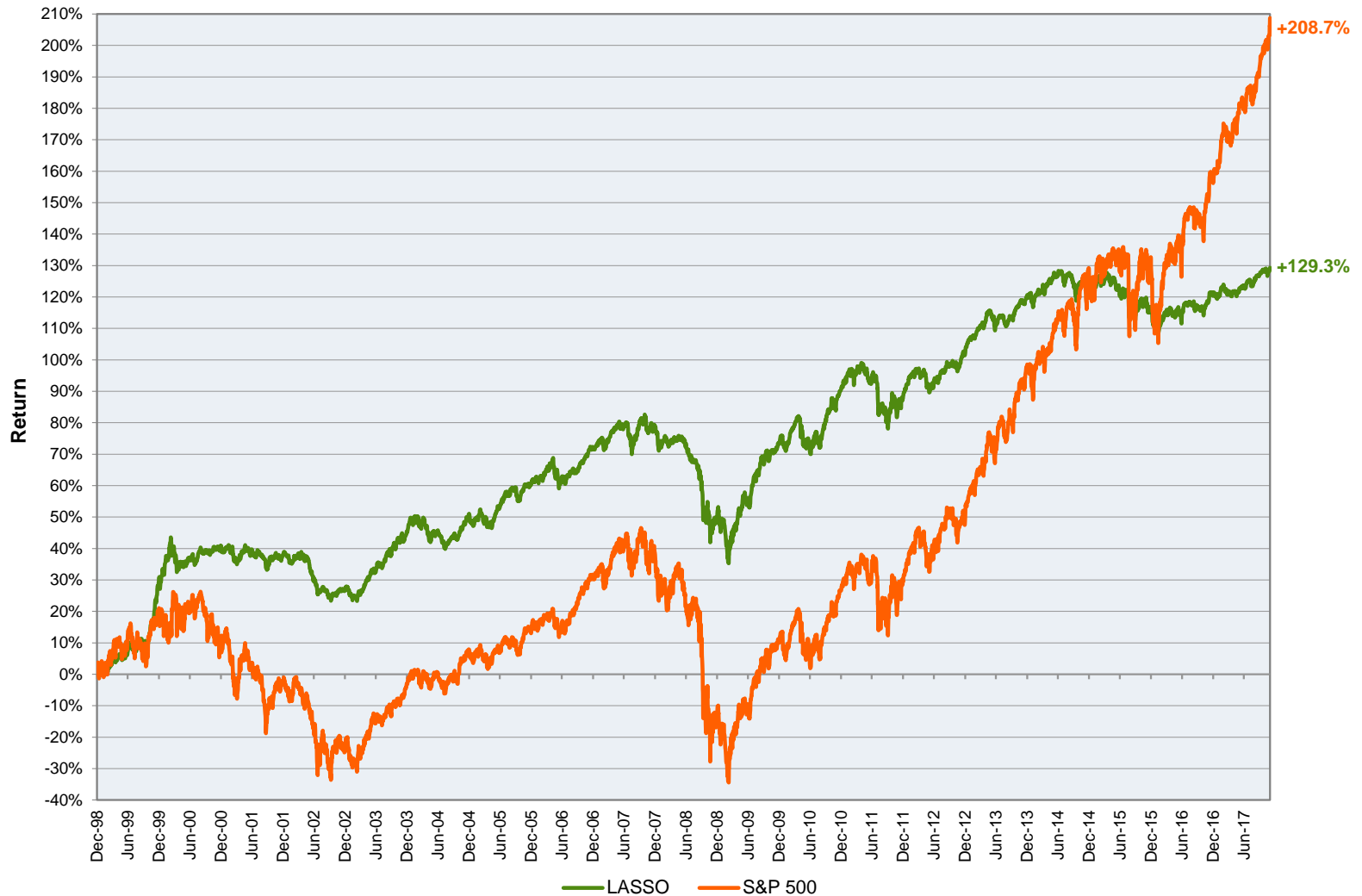
- Given this backdrop, we are continuing to allocate the LASSO program across a diversified mix of strategies, and composite net equity exposure remains near the middle of our target range.
- We believe that the LASSO strategy is well positioned to live up to its history of producing attractive risk-adjusted returns over time.

# LASSO CUMULATIVE DAILY RETURNS

## LASSO Composite (net) vs. S&P 500

Inception of LASSO from December 31, 1998 through November 30, 2017

See Explanatory Notes and Disclosures • Past performance is no guarantee of future results

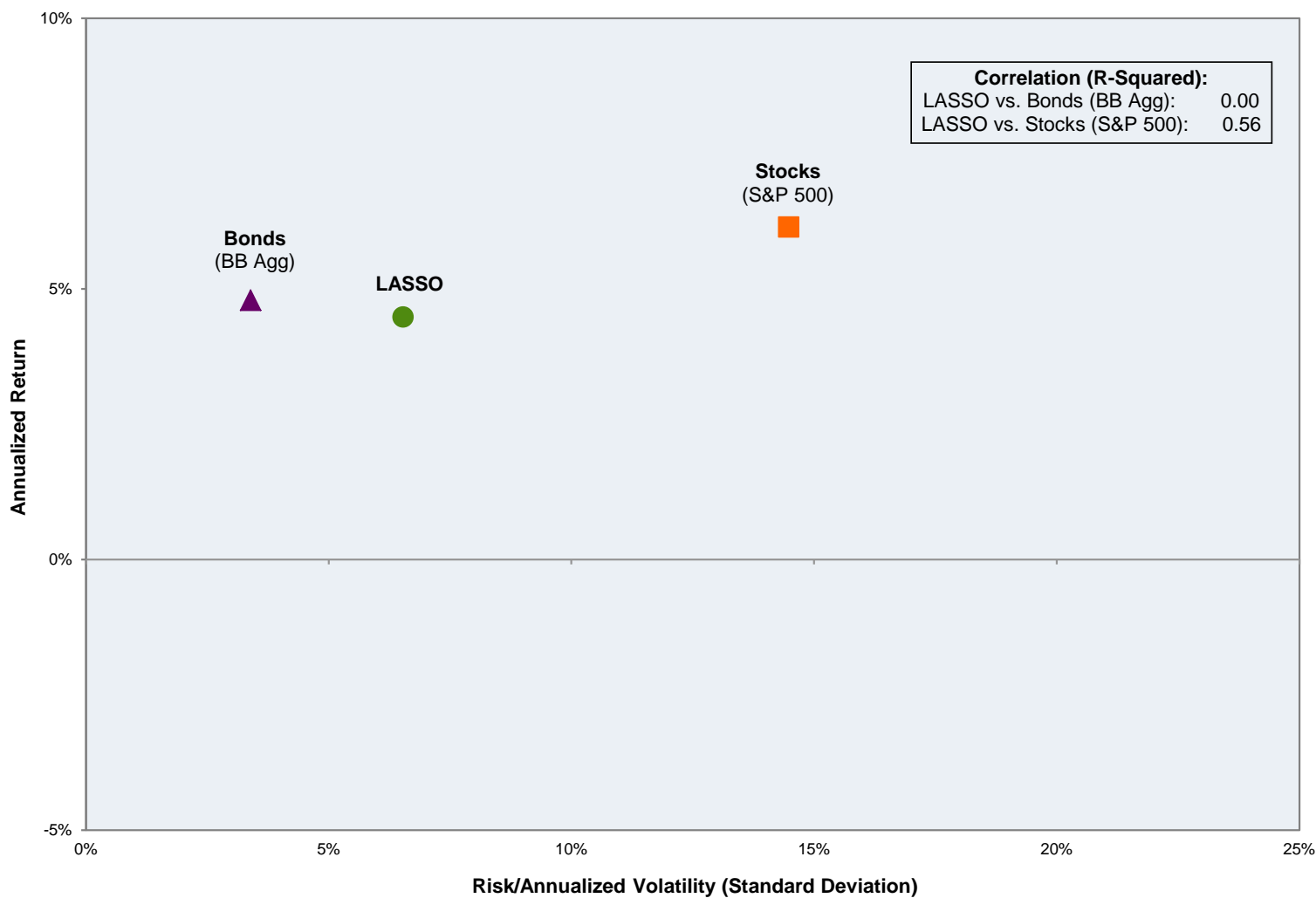


# LASSO RISK/RETURN PROFILE

## Annualized Risk/Return Profile: LASSO Composite (net) vs. Stock and Bond Indices

Inception of LASSO from December 31, 1998 through November 30, 2017 (based on monthly data)

See Explanatory Notes and Disclosures • Past performance is no guarantee of future results

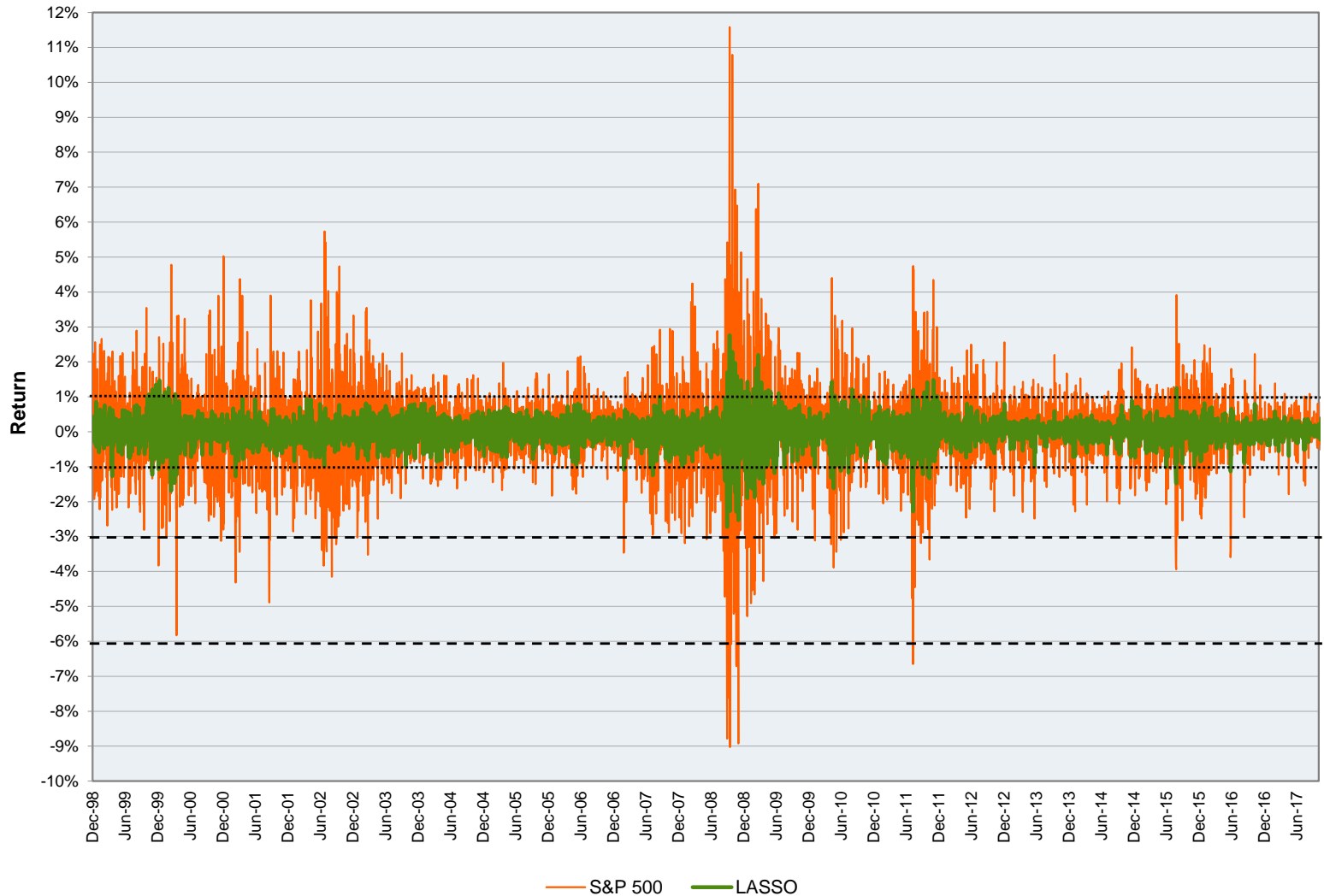


# LAGO RISK PARAMETERS: DAILY VOLATILITY

## Daily Returns: LASSO Composite (net) vs. S&P 500

Inception of LASSO from December 31, 1998 through November 30, 2017

See Explanatory Notes and Disclosures • Past performance is no guarantee of future results



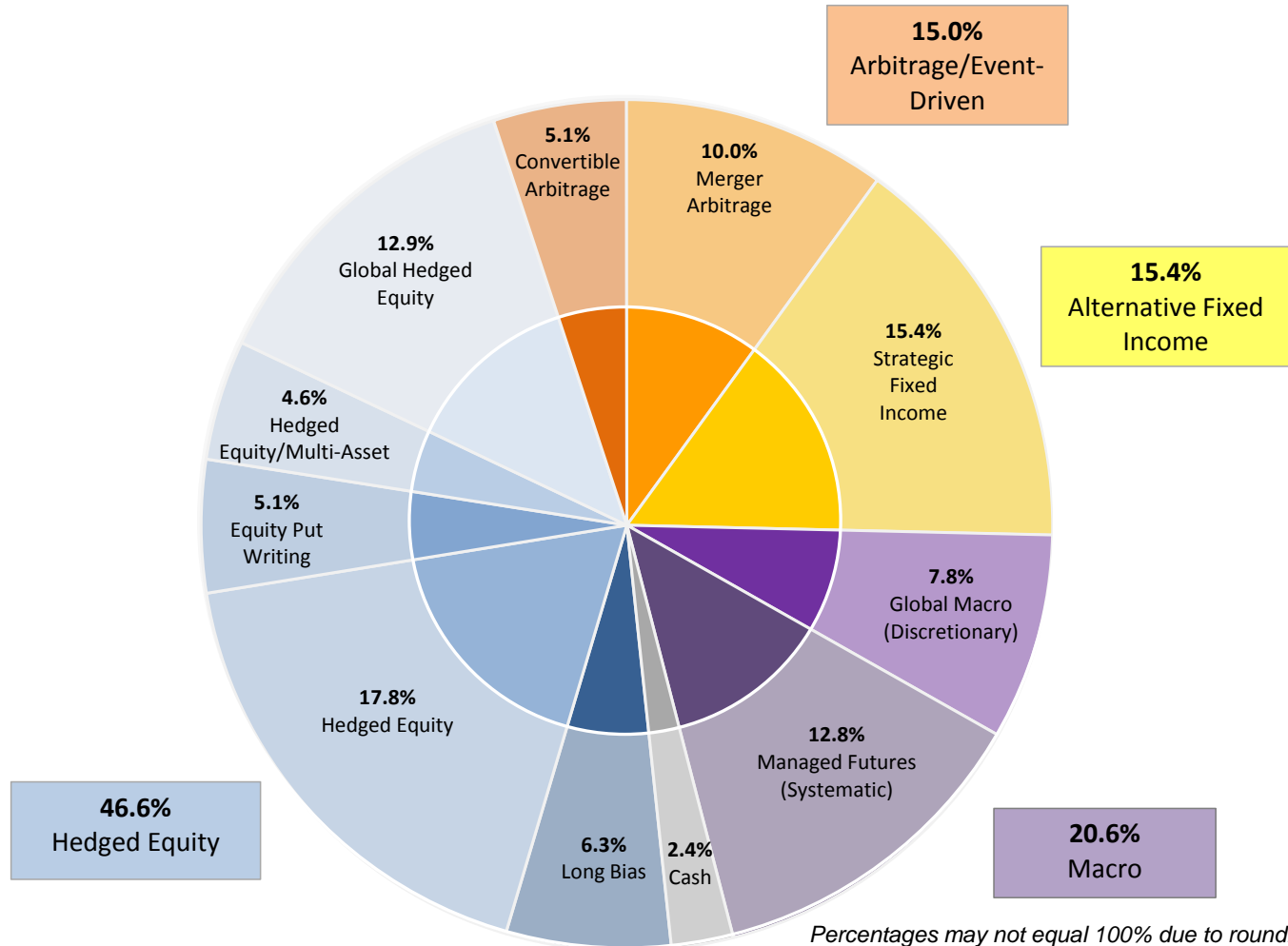


# LAASSO CURRENT STRATEGY ALLOCATION

## Selecting the right mix is as important as selecting the right strategies

LASSO Composite Strategy Allocation as of November 30, 2017

See Explanatory Notes and Disclosures • Past performance is no guarantee of future results



Percentages may not equal 100% due to rounding.  
Allocations subject to change.

# LASSO HISTORY

## A long record of...

**enhanced returns, lower risk, and reduced correlation...  
via a liquid, “user friendly,” alternative investment.**

### Performance

- Over eighteen year track record: 12/31/98 to 11/30/17
- Cumulative return since inception: 129.3% (net) versus 208.7% (S&P 500)
- Reduced volatility: gains achieved with less than 1/3 of the daily volatility of the S&P 500

### Benefits: Structure

- Daily liquidity
- “User friendly” access to alternative strategies
- Diversification through an array of alternative strategies and instruments
- “One stop” package of alternatives to enhance the asset allocation process

### Benefits: Risk/Return Profile

- Relatively stable returns (vs. equities)
- Potential downside protection and reduced volatility
- Reduced correlation to stocks and/or bonds
- Serve as an alternative or complement to conventional equity and fixed income

*See Explanatory Notes and Disclosures.  
Past performance is no guarantee of future results.  
There can be no assurance that any objectives can be achieved.*

# LASSO STRUCTURE

**A multi-manager investment program...  
of carefully selected alternative mutual funds...  
that invest long and short, or use hedging or alternative strategies.**

## Structure

- Multi-manager mutual fund program
- Managed portfolio of carefully selected mutual funds that invest long and short, or use hedging or alternative strategies
- Available through separate accounts or commingled pools

## Additional Benefits

- Lower cost structure vs. hedge funds and funds-of-funds
- Regulated instruments
- No K-1s
- Provide access to unique mutual funds, some of which may be closed
- *For additional information, contact:*  
***Rick Lake, Portfolio Manager, 203-661-5100, [rick@lakelasso.com](mailto:rick@lakelasso.com)***

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# LASSO RETURNS & STATISTICS

## LASSO Composite (net) vs. S&P 500 vs. Bloomberg Barclays US Aggregate Bond Index

Inception of LASSO from December 31, 1998 through November 30, 2017 (based on monthly data)

Monthly Performance (%) Net of Fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-0.2%	1.2%	-0.4%	0.0%	0.0%	0.6%	1.0%	0.2%	0.6%	0.5%	0.4%		4.1%
2016	-1.6%	-0.3%	1.8%	-0.2%	0.3%	-0.1%	1.3%	-0.4%	-0.2%	-0.5%	1.0%	1.0%	2.0%
2015	-1.3%	2.3%	-0.4%	-0.2%	0.2%	-2.1%	0.6%	-2.4%	-1.3%	2.2%	0.3%	-1.4%	-3.5%
2014	-1.1%	1.4%	0.6%	0.7%	0.9%	0.3%	-0.8%	0.9%	-1.3%	0.0%	0.6%	-0.8%	1.5%
2013	2.3%	0.5%	1.5%	0.8%	0.9%	-1.7%	1.3%	-1.4%	1.1%	1.7%	1.1%	0.7%	9.2%
2012	2.5%	1.7%	0.3%	0.0%	-2.7%	1.1%	0.5%	1.0%	0.8%	0.0%	0.6%	1.6%	7.6%
2011	1.4%	1.6%	0.0%	1.4%	-0.9%	-1.4%	-0.8%	-3.4%	-3.2%	3.9%	-0.5%	0.8%	-1.5%
2010	-0.6%	1.1%	2.8%	1.0%	-3.7%	-1.9%	2.9%	-2.0%	5.0%	2.1%	-0.3%	3.7%	10.1%
2009	-2.3%	-4.7%	1.9%	4.7%	3.9%	0.4%	3.6%	2.0%	2.5%	-0.5%	1.6%	1.6%	15.2%
2008	-3.1%	0.7%	-0.7%	0.4%	0.7%	-1.2%	-2.7%	-0.7%	-3.6%	-5.1%	-3.0%	1.1%	-16.0%
2007	0.8%	-0.4%	0.7%	1.7%	1.6%	-0.7%	-1.3%	-0.6%	2.3%	1.9%	-2.2%	0.2%	3.9%
2006	1.6%	-0.2%	1.5%	0.7%	-1.3%	-0.7%	0.2%	1.1%	0.1%	1.4%	1.6%	1.2%	7.4%
2005	-1.8%	1.5%	-0.8%	-1.5%	1.9%	2.2%	2.6%	0.8%	0.8%	-1.6%	1.8%	0.4%	6.1%
2004	2.2%	0.8%	-0.5%	-2.9%	0.5%	0.4%	-2.3%	-0.5%	1.6%	0.1%	2.3%	2.4%	4.1%
2003	-1.0%	-0.6%	0.3%	2.9%	2.8%	0.1%	2.0%	1.8%	0.2%	2.9%	1.7%	0.5%	14.4%
2002	-0.2%	-1.4%	1.7%	-0.5%	-1.0%	-3.9%	-3.2%	0.2%	-1.8%	0.6%	1.3%	-0.2%	-8.2%
2001	-0.3%	-1.3%	-1.7%	1.4%	1.0%	0.2%	-0.8%	-0.9%	-2.5%	1.8%	0.4%	0.9%	-1.9%
2000	0.8%	5.6%	-0.3%	-2.3%	0.3%	0.9%	-1.3%	3.4%	-0.3%	-0.2%	0.3%	0.8%	7.9%
1999	2.2%	-1.0%	2.8%	0.8%	-0.3%	2.5%	1.1%	0.1%	0.9%	1.1%	5.1%	12.4%	30.6%

Trailing Returns (periods greater than 1 year are annualized)											Inception (1/1999)
	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year		
LASSO	0.4%	1.6%	3.5%	5.1%	2.3%	0.5%	2.9%	3.2%	2.5%	4.5%	
S&P 500	3.1%	7.6%	10.9%	22.9%	15.2%	10.9%	15.8%	14.6%	8.3%	6.1%	
Bloomberg Barclays US Aggregate Bond	-0.1%	-0.6%	0.7%	3.2%	2.7%	2.1%	2.0%	3.0%	4.0%	4.8%	

Statistical Analysis								
Return	LASSO	S&P 500	BB Agg	Risk	LASSO	S&P 500	BB Agg	
Annualized Compound ROR	4.5%	6.1%	4.8%	Standard Deviation	6.5%	14.5%	3.4%	
Cumulative Return	129.3%	208.7%	142.3%	Sharpe Ratio (0.1% risk free rate)	0.52	0.40	1.05	
Cumulative VAMl	\$2,293	\$3,087	\$2,423	Sortino Ratio (0.1% min. acceptable return)	0.87	0.58	1.78	
Best Month	12.4%	10.9%	3.7%	Dow nside Deviation (0.1% min. acceptable return)	3.9%	10.1%	2.0%	
Worst Month	-5.1%	-16.8%	-3.4%	Comparison To Benchmarks			S&P 500	BB Agg
% Positive Months	61.2%	63.4%	66.5%	Alpha		0.2%	0.4%	
Average Monthly Return	0.4%	0.6%	0.4%	Annualized Alpha		2.8%	5.5%	
Average Gain	1.5%	3.0%	0.9%	Beta		0.34	(0.09)	
Average Loss	-1.3%	-3.7%	-0.6%	Correlation		0.75	(0.05)	
Maximum Draw down	-23.4%	-51.0%	-3.8%	R-Squared		0.56	0.00	

Drawdown Analysis									
LASSO				S&P 500					
Depth	Length	Recovery	Peak	Valley	Depth	Length	Recovery	Peak	Valley
-23.4%	16	20	Oct-07	Feb-09	-51.0%	16	37	Oct-07	Feb-09
-11.4%	21	13	Dec-00	Sep-02	-44.7%	25	49	Aug-00	Sep-02
-9.5%	5	15	Apr-11	Sep-11	-8.4%	2	8	Jul-15	Sep-15
-6.8%	18	38	Aug-14	Feb-16	-6.8%	2	1	Dec-99	Feb-00
-5.2%	6	4	Feb-04	Aug-04	-6.6%	2	3	Mar-12	May-12

# LASSO RETURNS & STATISTICS

## LASSO Composite (net) vs. HFRX Equity Hedge Index

Inception of HFRX Equity Hedge Index from March 31, 2003 through November 30, 2017 (based on monthly data)

Trailing Returns (periods greater than 1 year are annualized)										
	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	Inception (4/2003)
LASSO	0.4%	1.6%	3.5%	5.1%	2.3%	0.5%	2.9%	3.2%	2.5%	4.2%
HFRX Equity Hedge ("HFRXEH")	0.9%	3.5%	5.9%	9.1%	3.8%	1.9%	3.8%	1.0%	-0.7%	1.6%

Statistical Analysis					
Return	LASSO	HFRXEH	Risk	LASSO	HFRXEH
Annualized Compound ROR	4.2%	1.6%	Standard Deviation	5.9%	7.1%
Cumulative Return	83.1%	25.8%	Sharpe Ratio (0.1% risk free rate)	0.53	0.09
Cumulative VAMl	\$1,831	\$1,258	Sortino Ratio (0.1% min. acceptable return)	0.79	0.11
Best Month	5.0%	5.2%	Downside Deviation (0.1% min. acceptable return)	3.9%	5.6%
Worst Month	-5.1%	-10.0%	<b>Comparison To Benchmarks</b>		
% Positive Months	63.1%	57.4%	<b>HFRXEH</b>		
Average Monthly Return	0.4%	0.2%	Alpha	0.3%	
Average Gain	1.4%	1.5%	Annualized Alpha	3.1%	
Average Loss	-1.4%	-1.6%	Beta	0.67	
Maximum Draw down	-23.4%	-29.5%	Correlation	0.81	
			R-Squared	0.66	

Draw down Analysis									
LASSO					HFRXEH				
Depth	Length	Recovery	Peak	Valley	Depth	Length	Recovery	Peak	Valley
-23.4%	16	20	Oct-07	Feb-09	-29.5%	21	0	May-07	Feb-09
-9.5%	5	15	Apr-11	Sep-11	-4.5%	3	4	Apr-06	Jul-06
-6.8%	18	38	Aug-14	Feb-16	-4.3%	13	3	Mar-04	Apr-05
-5.2%	6	4	Feb-04	Aug-04	-2.6%	1	2	Sep-05	Oct-05
-2.6%	4	2	Dec-04	Apr-05	-0.3%	1	1	Aug-03	Sep-03

# LASSO RETURNS & STATISTICS

## LASSO Composite (net) vs. Morningstar Multialternative Category Average

Inception of Morningstar Multialternative Category Average from December 31, 2000 through November 30, 2017 (based on monthly data)

Trailing Returns (periods greater than 1 year are annualized)										
	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	Inception (1/2001)
LASSO	0.4%	1.6%	3.5%	5.1%	2.3%	0.5%	2.9%	3.2%	2.5%	2.9%
Morningstar Multialternative ("Multialt")	0.4%	1.6%	2.5%	5.8%	2.2%	0.8%	1.7%	1.7%	0.5%	0.3%

Statistical Analysis					
Return	LASSO	Multialt	Risk	LASSO	Multialt
Annualized Compound ROR	2.9%	0.3%	Standard Deviation	5.8%	9.3%
Cumulative Return	62.8%	4.3%	Sharpe Ratio (0.1% risk free rate)	0.32	-0.05
Cumulative VAMI	\$1,628	\$1,043	Sortino Ratio (0.1% min. acceptable return)	0.46	-0.07
Best Month	5.0%	10.5%	Downside Deviation (0.1% min. acceptable return)	4.0%	7.4%
Worst Month	-5.1%	-12.2%	Comparison To Benchmarks		Multialt
% Positive Months	60.1%	60.6%	Alpha		0.2%
Average Monthly Return	0.3%	0.1%	Annualized Alpha		2.8%
Average Gain	1.3%	1.4%	Beta		0.43
Average Loss	-1.3%	-2.1%	Correlation		0.69
Maximum Draw down	-23.4%	-40.3%	R-Squared		0.47

Drawdown Analysis									
LASSO					Multialt				
Depth	Length	Recovery	Peak	Valley	Depth	Length	Recovery	Peak	Valley
-23.4%	16	20	Oct-07	Feb-09	-40.3%	20	149	Jan-01	Sep-02
-11.4%	21	13	Dec-00	Sep-02	-26.9%	16	66	Oct-07	Feb-09
-9.5%	5	15	Apr-11	Sep-11	-6.6%	9	29	May-15	Feb-16
-6.8%	18	38	Aug-14	Feb-16	-0.3%	1	1	Mar-15	Apr-15
-5.2%	6	4	Feb-04	Aug-04					

## LASSO EXPLANATORY NOTES AND DISCLOSURES

The preceding performance is a composite of all discretionary, fee-paying accounts managed by Lake Partners, Inc. (“LPI”) utilizing the LASSO Long and Short Strategic Opportunities strategy (“LASSO”). Performance is weighted by account size and time-weighted for each performance period, and reflects the reinvestment of dividends and other earnings. Performance is net of all fees and expenses, including: LPI portfolio management fees, fees and expenses of underlying funds, and brokerage, administrative, and custodial costs. (The composite includes separate accounts as well as all commingled vehicles utilizing the LASSO strategy).

Performance was affected by material market and economic conditions that were independent of and not controlled by LPI or the managers of the underlying funds and may be different in the future. Actual results and holdings of individual accounts will vary due to client cash flows, timing of implementation, different custodians, the availability of underlying funds, applicable regulation, and other factors. Small accounts may perform below the composite due to the greater impact of transaction costs.

**All securities investing involves the risk of loss.  
Past performance is no guarantee of future results.**

**There can be no assurance that the LASSO Long and Short Strategic Opportunities program can meet its stated objectives.**

**LASSO differs substantially from the market indices, which are included for comparison purposes only.**

The S&P 500 is an unmanaged, capitalization-weighted index of the common stocks of 500 widely held US companies. It does not include fees or expenses. Direct investment in an index is not possible. (S&P 500 is a registered trademark of Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.) LASSO differs substantially from the S&P 500, which is used for comparison purposes as a widely recognized measure of US stock market performance. While the returns of LASSO have exhibited positive (but varying) correlation to the index over time, the underlying funds in the program may invest in different stocks and in different proportions than in the index.

The Bloomberg Barclays US Aggregate Bond Index is an unmanaged index of fixed rate debt securities rated investment grade or higher by Moody’s, Standard & Poor’s, or Fitch rating services. All issues have at least one year to maturity and an outstanding par value of at least \$25 million to \$1 billion based on the type of security. The index does not include fees or expenses. Direct investment in an index is not possible. (Bloomberg is a trademark of Bloomberg Finance L.P. Barclays is a trademark of Barclays Capital PLC.) LASSO differs substantially from this index, which is used for comparison purposes as a widely recognized measure of U.S. bond market performance. Although the mutual fund allocations in the LASSO portfolio emphasize stocks and hedged equities, and bonds to a lesser degree, the historical volatility of LASSO (as measured by standard deviation, a measure of the variation of returns) is more comparable to the bond market index rather than the stock market index. LASSO may use underlying funds that invest in non-investment grade bonds, which may entail additional credit risk. LASSO may use underlying funds that invest in non-US and emerging market bonds, which may entail additional credit, sovereign, and currency risks.

## LAGO EXPLANATORY NOTES AND DISCLOSURES

The HFRX Equity Hedge Index ("HFRXEH") is part of the HFRX series of hedge fund indices, published by Hedge Fund Research, Inc., which are designed to reflect the daily performance of a variety of hedge fund strategies. The indices include funds that meet the screening criteria of Hedge Fund Research, Inc., including a 24-month track record and \$50 million under management, and are open to new investments. The HFRXEH is designed to be both investable and to reflect the overall structure and composition of the equity long/short hedge fund universe. • LASSO differs substantially from the HFRXEH, which is used for comparison purposes as a daily-valued measure of hedge fund performance. LASSO is comprised of "alternative mutual funds," a limited universe of mutual funds that use short-selling, hedging, and other hedge-fund-like strategies. In contrast, the HFRXEH uses a sampling from the broad equity long/short hedge fund universe, which contains more funds and strategies than available through alternative mutual funds. In addition, hedge funds in the index may also use a greater degree of leverage and illiquid securities than permitted for mutual funds due to regulatory restrictions. Nevertheless, the performance of LASSO and the HFRXEH have exhibited positive (but varying) correlation over time, reflecting the prevalence of long-short equity strategies in the universe of alternative mutual funds. • The index is net of fees and expenses of the underlying managers, including incentive fees, a type of fee generally not charged by the mutual funds in LASSO due to regulatory restrictions. The index does not reflect a fund-of-funds management fee, which is reflected in LASSO performance. Direct investment in the index is not possible. Commingled vehicles based on the index are available to investors, subject to additional fees and expenses.

The Morningstar Multialternative Category (monthly data series) includes mutual funds (identified by Morningstar, Inc.) that offer investors exposure to several different alternative investment strategies. Funds in this category allocate a majority of their assets to alternative strategies and include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes. Gross short exposure is generally greater than -20%. • The performance of the Morningstar Multialternative Category is represented by the Morningstar Multialternative Category Average ("MMCA"). The MMCA is among the various averages published by Morningstar, Inc. to measure the performance of a group of funds that utilize a similar investment strategy. The MMCA is based on Morningstar's Enhanced Category Averages methodology, which reflects the average monthly returns for the Morningstar Multialternative Category, based on equally weighting each share class of each fund that existed in the category for the entirety of each historical month, with annual and trailing return calculated by geometrically linking these monthly numbers. The MMCA is net of fees and expenses of the underlying funds. • LASSO differs substantially from the MMCA, which is used for comparison purposes as a measure of alternative mutual fund performance. The LASSO portfolio may include mutual funds included or not included in the Morningstar Multialternative Category. The Morningstar Multialternative Category does not reflect a fund-of-funds management fee, which is reflected in LASSO performance. Direct investment in the MMCA is not possible.

*Although the returns of LASSO have exhibited reduced or low correlations to the returns of the above indices, the indices utilized herein are widely recognized indices for the performance and risk characteristics of stocks, bonds, and alternative strategies, as well as for asset allocation and comparison purposes.*