

The investment objective

The Stillwater Hedged Equity Income Strategy seeks stable absolute returns with capital appreciation and dividend income, with a focus on enhanced downside protection. It does so using long and short equity positions with a flexible exposure mandate. This allows the portfolio to be positioned for a rising or falling market.

How the strategy is managed

The strategy invests in companies with stable business models that exhibit high levels of free cash flow and show a strong history of increasing dividends. The strategy takes short positions in companies where we believe that deteriorating fundamentals are not reflected in the share price. We also use short positions to hedge market risk against our long positions.

By investing in stable dividend yielding companies, the strategy has the dual benefit of income and the potential for capital appreciation through equity ownership. With stable corporate balance sheets to support them, stocks of these companies have historically exhibit lower levels of volatility than the overall market. This is especially beneficial when there are dislocations in the market.

Why invest in the strategy

Stillwater Hedged Equity Income is a powerful investment strategy that enhances the return potential of an overall asset allocation. The strategy combines dividend income with capital appreciation and downside protection over a market cycle, and is offered as a separately managed account. Clients have full transparency into how their assets are invested, coupled with daily liquidity. There is a flat management fee of 1%, with no performance fee, or K-1 partnership reporting.

Who manages the portfolio

Mr. Bryan Goligoski is the portfolio manager for the Stillwater Hedged Equity Income strategy. Over his twenty-two year career, Bryan has invested in a full range of markets, across multiple strategies. He has held senior positions as portfolio manager at Strome Partners and Nuveen Investments, and as alternative specialist at TCW, and Hatteras.

FIRM FACTS

- Privately owned and based in Santa Barbara, California.
- Founded in 2016.
- Alternative investment focus with multiple equity strategies.

STRATEGY FACTS

	Hedged Equity Income
Morningstar Category	Long/Short Equity
Benchmark	S&P 500
Number of Positions	20-40 long/10-20 short
Turnover - Annual	150%

PORTFOLIO HOLDINGS

S&P 500	-7.6%	Ecolab	3.5%
Dow 30	-7.1%	Starbucks	3.5%
Biotech ETF	-5.0%	BHP Billiton	3.2%
Financial ETF	-4.7%	OneOak	3.2%
McCormick	3.4%	Sysco	3.1%
Total			44.3%

ACCESS & AVAILIBLTY

Platform	Schwab, Fidelity, Interactive Brokers
Investment Minimum	\$100,000
Management Fee	1% Annually

PORTFOLIO EXPOSURE

Long Equities	86.0%
Short Equities	68.0%
Net Exposure	18.0%

PERFORMANCE

January 2, 2018 - September 30, 2019	
Stillwater Hedged Equity Income	11.7%
Morningstar Long/Short Equity Category	1.3%
Morningstar Equity Income Category	7.8%
HFRI Hedged Equity Index	Pending
S&P 500 Index	9.8%

DISCLOSURE: Stillwater Capital, LLC is a Registered Investment Adviser. Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice or services may be rendered by Stillwater Capital LLC unless a client service agreement exists.

Important Disclosures

Stillwater Capital, LLC is an California registered investment adviser; however, such registration does not imply certain level of skill or training and no inference to the contrary should be made. This information is provided for general purposes only.

The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the strategy. While not guaranteed as to accuracy or completeness, some of the information has been obtained from sources we believe to be reliable. Opinions expressed herein are subject to change without notice. Stillwater, or one or more of its officers and/or employees, may have a position in the securities mentioned herein and may purchase or sell such securities from time to time.

The performance and statistical data reflected herein is as of September 30, 2019 and based on a representative account for this strategy. Past performance does not guarantee future returns and other individual accounts may vary. The strategy's inception date is January 2, 2018, and the representative account is fully discretionary. Performance returns shown for the strategy are from January 2, 2018 through September 30 2019, are net of a 0.0% advisory fee and transaction costs and include the reinvestment of dividends and other earnings.

A complete list of portfolio holdings and specific securities transactions in this strategy for the preceding 12 months is available upon request. Holdings are subject to change. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of securities in this write up.

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Indexes shown are unmanaged, include the reinvestment of dividends and do not reflect the deduction of transaction costs, management or other fees. They are provided for comparative purposes but are not meant to be representative of the strategy since there are differences. An investor cannot invest directly in an index.

Index Descriptions

Morningstar Long/Short Equity Category – *Long-short portfolios hold sizeable stakes in both long and short positions in equities and related derivatives. Some funds that fall into this category will shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover through bottom-up research. Some funds may simply hedge long stock positions through exchange-traded funds or derivatives. At least 75% of the assets are in equity securities or derivatives.*

Morningstar Equity Income Index – *Equity income funds are made up of a variety of different income investments, but they generally invest securities from established, creditworthy companies that make consistent dividend payments. Generally speaking, equity income funds rarely invest in young, high-growth companies.*

HFRI Hedged Equity Index – *Equity Hedge: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. The constituent funds of the HFRI Equity Hedge (Total) Index - Asset Weighted are weighted according to the AUM reported by each fund for prior month.*

S&P 500 Index – *The S&P 500[®] is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 3.4 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.*