Guide to Energy Infrastructure Investing

GTE Wealth Forum
Nashville, TN
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About Alerian

THE FIRST

Real-time MLP Index
MLP ETN
MLP ETF

$15 billion in index-linked products

86% market share for passive exchange traded products

17 product partners

REAL-TIME MLP & ENERGY INFRASTRUCTURE INDICES
AMZ / AMZI / AMEI / AMCS / AMZE / ANGI / AMNA / AMUS

Source: Alerian as of March 29, 2019
About Alerian // Alerian Index Series

**SECTOR // Midstream**

- **AMNA**
  Alerian Midstream Energy Index
  Energy Infrastructure

- **AMUS**
  Alerian US Midstream Energy Index
  Energy Infrastructure

- **AMEI**
  Alerian Midstream Energy Select Index
  Energy Infrastructure

**SECTOR // MLP**

- **AMZ**
  Alerian MLP Index
  Infrastructure MLPs

- **AMZI**
  Alerian MLP Infrastructure Index
  Infrastructure MLPs

**STRATEGY**

- **AMZE**
  Alerian MLP Equal Weight Index
  Infrastructure MLPs

- **ANGI**
  Alerian Natural Gas MLP Index
  Natural Gas MLPs

- **AMCS**
  Alerian Energy Infrastructure Capital Strength Select Index
  Energy Infrastructure
About Alerian // Facilitating energy infrastructure investing
### About Alerian // Facilitating energy infrastructure investing

<table>
<thead>
<tr>
<th>AMZ</th>
<th>AMZI</th>
<th>AMEI</th>
<th>ANGI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMJ</strong> // $2,450</td>
<td><strong>AML</strong> // $9,203</td>
<td><strong>ENFR</strong> // $65</td>
<td><strong>MLPG</strong> // $9</td>
</tr>
<tr>
<td>JPMorgan Alerian MLP Index ETN</td>
<td>Alerian MLP ETF</td>
<td>Alerian Energy Infrastructure ETF</td>
<td>ETRACS Alerian Natural Gas MLP Index ETN</td>
</tr>
<tr>
<td>Licensee: JPMorgan</td>
<td>Licensee: ALPS</td>
<td>Licensee: ALPS</td>
<td>Licensee: UBS</td>
</tr>
<tr>
<td>Annual Fee: 0.85%</td>
<td>Annual Fee: 0.85%</td>
<td>Annual Fee: 0.85%</td>
<td>Annual Fee: 0.85%</td>
</tr>
<tr>
<td><strong>AMU</strong> // $275</td>
<td><strong>MLPI</strong> // $1,311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETRACS Alerian MLP Index ETN</td>
<td>ETRACS Alerian MLP Infrastructure Index ETN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensee: UBS</td>
<td>Licensee: UBS</td>
<td></td>
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</tr>
<tr>
<td>Annual Fee: 0.80%</td>
<td>Annual Fee: 0.85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AMJL</strong> // $13</td>
<td><strong>MLPQ</strong> // $84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X-Links Monthly Pay 2X Leveraged Alerian MLP Index ETN</td>
<td>ETRACS 2x Leveraged Alerian MLP Infrastructure Index ETN</td>
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<td>Licensee: Credit Suisse</td>
<td>Licensee: UBS</td>
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</tr>
<tr>
<td>Annual Fee: 0.85%</td>
<td>Annual Fee: 0.85%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Alerian as of March 29, 2019

Note: UITs, Return of Capital Notes, and ALEFX (variable insurance trust) are available on select platforms.
Overview of MLPs
Overview of MLPs // Why MLPs?

Above-Average Yield
MLPs pay no taxes at the entity level, so they can pay out more of their cash flow to investors as distributions.

Stable Cash Flows
Fee-based, volume-driven business models that benefit from growing US energy production and rising demand domestically and abroad.

Energy Infrastructure
Exposure to long-lived real assets that generate inflation-protected cash flows; organic project development supports growing cash flows, allowing for increased distributions.

Diversification
Low correlation to other income-oriented investments, including: REITs, utilities and bonds; MLPs are not in the S&P 500.
Overview of MLPs // What is an energy infrastructure asset?
Overview of MLPs // Simple investment story, complex tax structure

General Taxation

- Income/deductions are passed through to unitholders on a Schedule K-1
- Investors must file income taxes in each state in which the MLP operates
- 70%-100% of MLP distributions are tax-deferred return-of-capital
- Remaining 0%-30% of MLP distributions are taxed at ordinary income rates

Wealth Transfer

- No ordinary income “recapture” of cost basis
- Cost basis is “stepped-up” to current price on day of transfer

Treatment at Sale

- Gain from reduced basis is “recaptured” and taxed at ordinary income rates
- Any remaining taxable gain is taxed at capital gain rates

Tax-Advantaged Accounts

- Subject to tax if unrelated business taxable income (UBTI) exceeds $1,000
- UBTI based on partnership income, not cash distributions
Energy Infrastructure Investing
Energy Infrastructure Investing // Many access products available

120
Access Products
Launched
Since 2004

Note: Faded colors represent funds that are now delisted
Source: Alerian as of March 29, 2019
Energy Infrastructure Investing // Different options to meet needs

ETN
- Little/No Tracking Error
- 100% MLP Exposure

C Corp 40 Act Funds
- Generally Higher After-Tax Income*
- Ownership of Underlying Securities
- 100% MLP Exposure

RIC-Compliant 40 Act Funds
- Little/No Tracking Error
- Ownership of Underlying Securities

Advantages
- Little/No Tracking Error
- 100% MLP Exposure
- Generally Higher After-Tax Income*
- Ownership of Underlying Securities
- 100% MLP Exposure

Disadvantages
- Generally Lower After-Tax Income**
- Credit Risk of Issuer
- Deferred Tax Liability Mutes Gains
- After-Tax Yield Investors

Suitability
- Tax-Advantaged Investors
- Total Return Investors
- Comfortable with Issuer Credit Risk
- 25% MLP Exposure
- Generally Lower Income***
- Tax-Advantaged Investors
- Total Return Investors
- Comfortable with Non-MLP Investments
- Prefer Broad Exposure

*Due to expense ratio being taken from NAV, and income being treated as return of capital / qualified dividend
**Due to expense ratio being taken from coupon, and coupon being taxed as ordinary income
***Due to lower MLP exposure
Energy Infrastructure Investing // Midstream universe

Source: Alerian as of March 29, 2019
Energy Infrastructure Investing // Attractive relative yields

Source: Alerian, Bloomberg as of April 30, 2019
Energy Infrastructure Investing // Compelling valuation based on EV/EBITDA

Forward EV/EBITDA based on Bloomberg 2020 EBITDA estimates
* AMEI’s historical average EV/EBITDA is since inception on April 1, 2013
Source: Alerian, Bloomberg as of April 30, 2019
### Energy Infrastructure Investing // Passive vs. active – high overlap

#### MLP ETF | AUM: $9.0B

<table>
<thead>
<tr>
<th>Name</th>
<th>Ticker</th>
<th>% of Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Transfer LP</td>
<td>ET</td>
<td>10.3%</td>
</tr>
<tr>
<td>Enterprise Products Partners LP</td>
<td>EPD</td>
<td>10.2%</td>
</tr>
<tr>
<td>Magellan Midstream Partners</td>
<td>MMP</td>
<td>9.9%</td>
</tr>
<tr>
<td>Plains All American Pipeline LP</td>
<td>PAA</td>
<td>9.9%</td>
</tr>
<tr>
<td>MPLX LP</td>
<td>MPLX</td>
<td>9.9%</td>
</tr>
<tr>
<td>Western Gas Partners LP</td>
<td>WES</td>
<td>5.6%</td>
</tr>
<tr>
<td>Buckeye Partners LP</td>
<td>BPL</td>
<td>5.0%</td>
</tr>
<tr>
<td>Andeavor Logistics LP</td>
<td>ANDX</td>
<td>4.0%</td>
</tr>
<tr>
<td>Tallgrass Energy LP</td>
<td>TGE</td>
<td>3.6%</td>
</tr>
<tr>
<td>EQM Midstream Partners LP</td>
<td>EQM</td>
<td>3.5%</td>
</tr>
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</table>

**Total Overlap with MLP ETF:** 100%

#### MLP OEF A | AUM: $3.3B

<table>
<thead>
<tr>
<th>Name</th>
<th>Ticker</th>
<th>% of Total Assets</th>
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<tbody>
<tr>
<td>Energy Transfer LP</td>
<td>ET</td>
<td>12.4%</td>
</tr>
<tr>
<td>Tallgrass Energy LP</td>
<td>TGE</td>
<td>5.8%</td>
</tr>
<tr>
<td>Genesis Energy LP</td>
<td>GEL</td>
<td>5.3%</td>
</tr>
<tr>
<td>Archrock, Inc.</td>
<td>AROC</td>
<td>4.7%</td>
</tr>
<tr>
<td>NGL Energy Partners LP</td>
<td>NGL</td>
<td>4.3%</td>
</tr>
<tr>
<td>Enterprise Products Partners LP</td>
<td>EPD</td>
<td>3.9%</td>
</tr>
<tr>
<td>CSI Compressco LP</td>
<td>CCLP</td>
<td>3.8%</td>
</tr>
<tr>
<td>The Williams Cos., Inc.</td>
<td>WMB</td>
<td>3.7%</td>
</tr>
<tr>
<td>TC PipeLines LP</td>
<td>TCP</td>
<td>3.6%</td>
</tr>
<tr>
<td>Buckeye Partners LP</td>
<td>BPL</td>
<td>3.5%</td>
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**Total Overlap with MLP ETF:** 48.8%

#### MLP OEF B | AUM: $2.1B

<table>
<thead>
<tr>
<th>Name</th>
<th>Ticker</th>
<th>% of Total Assets</th>
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</thead>
<tbody>
<tr>
<td>Energy Transfer Partners LP</td>
<td>ETP</td>
<td>14.8%</td>
</tr>
<tr>
<td>EnLink Midstream Partners LP</td>
<td>ENLK</td>
<td>11.0%</td>
</tr>
<tr>
<td>The Williams Cos., Inc.</td>
<td>WMB</td>
<td>8.7%</td>
</tr>
<tr>
<td>Enterprise Products Partners LP</td>
<td>EPD</td>
<td>7.7%</td>
</tr>
<tr>
<td>Plains All American Pipeline LP</td>
<td>PAA</td>
<td>7.2%</td>
</tr>
<tr>
<td>NuStar Energy LP</td>
<td>NS</td>
<td>6.1%</td>
</tr>
<tr>
<td>SemGroup Corp.</td>
<td>SEMG</td>
<td>4.1%</td>
</tr>
<tr>
<td>Targa Resources Corp.</td>
<td>TRGP</td>
<td>4.1%</td>
</tr>
<tr>
<td>Kinder Morgan Inc.</td>
<td>KMI</td>
<td>4.1%</td>
</tr>
<tr>
<td>Enbridge Inc.</td>
<td>ENB</td>
<td>3.8%</td>
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</table>

**Total Overlap with MLP ETF:** 53.0%

#### MLP OEF C | AUM: $2.1B

<table>
<thead>
<tr>
<th>Name</th>
<th>Ticker</th>
<th>% of Total Assets</th>
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</thead>
<tbody>
<tr>
<td>Energy Transfer LP</td>
<td>ET</td>
<td>23.1%</td>
</tr>
<tr>
<td>Enterprise Products Partners LP</td>
<td>EPD</td>
<td>12.4%</td>
</tr>
<tr>
<td>Plains All American Pipeline LP</td>
<td>PAA</td>
<td>9.3%</td>
</tr>
<tr>
<td>MPLX LP</td>
<td>MPLX</td>
<td>6.9%</td>
</tr>
<tr>
<td>Western Midstream Partners LP</td>
<td>WES</td>
<td>3.8%</td>
</tr>
<tr>
<td>Magellan Midstream Partners LP</td>
<td>MMP</td>
<td>3.6%</td>
</tr>
<tr>
<td>Shell Midstream Partners LP</td>
<td>SHEL</td>
<td>3.5%</td>
</tr>
<tr>
<td>The Williams Cos., Inc.</td>
<td>WMB</td>
<td>3.0%</td>
</tr>
<tr>
<td>EnLink Midstream LLC</td>
<td>ENLC</td>
<td>2.9%</td>
</tr>
<tr>
<td>Buckeye Partners LP</td>
<td>BPL</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Total Overlap with MLP ETF:** 66.1%

Source: SEC filings as of February 28, 2019
Energy Infrastructure Investing // Liquidity constraints with MLPs

Liquidity Concentrated in Select MLPs
Days to Exit $10 Million Position in a Single Energy MLP

Source: Bloomberg as of March 29, 2019
Assumes trader comprises 10% of daily trading volume
Current Issues
Current Issues // Robust oil and gas production growth in the US

Source: US Energy Information Administration as of April 30, 2019
Current Issues // US becoming major energy supplier to rest of world

Source: US Energy Information Administration as of April 30, 2019
Robust EBITDA growth anticipated in 2019

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Taxation</th>
<th>Actual 2018 ($MM)</th>
<th>Guidance (Midpoint) 2019 ($MM)</th>
<th>Y/Y Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andeavor Logistics LP</td>
<td>ANDX</td>
<td>Pass-through</td>
<td>1,201</td>
<td>1,400</td>
<td>16.6%</td>
</tr>
<tr>
<td>Cheniere Energy Inc</td>
<td>LNG</td>
<td>Corporation</td>
<td>2,641</td>
<td>3,050</td>
<td>15.5%</td>
</tr>
<tr>
<td>Crestwood Equity Partners LP</td>
<td>CEQP</td>
<td>Pass-through</td>
<td>420</td>
<td>475</td>
<td>13.1%</td>
</tr>
<tr>
<td>DCP Midstream LP</td>
<td>DCP</td>
<td>Pass-through</td>
<td>1,092</td>
<td>1,215</td>
<td>11.3%</td>
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<tr>
<td>Enable Midstream Partners LP</td>
<td>ENBL</td>
<td>Pass-through</td>
<td>1,074</td>
<td>1,135</td>
<td>5.7%</td>
</tr>
<tr>
<td>Energy Transfer LP *</td>
<td>ET</td>
<td>Pass-through</td>
<td>9,510</td>
<td>10,700</td>
<td>12.5%</td>
</tr>
<tr>
<td>EnLink Midstream LLC *</td>
<td>ENLC</td>
<td>Corporation</td>
<td>1,077</td>
<td>1,130</td>
<td>4.9%</td>
</tr>
<tr>
<td>EQM Midstream Partners LP *</td>
<td>EQM</td>
<td>Pass-through</td>
<td>1,218</td>
<td>1,300</td>
<td>6.7%</td>
</tr>
<tr>
<td>Genesis Energy LP *</td>
<td>GEL</td>
<td>Pass-through</td>
<td>674</td>
<td>700</td>
<td>3.9%</td>
</tr>
<tr>
<td>Kinder Morgan Inc</td>
<td>KMI</td>
<td>Corporation</td>
<td>7,568</td>
<td>7,800</td>
<td>3.1%</td>
</tr>
<tr>
<td>MPLX LP</td>
<td>MPLX</td>
<td>Pass-through</td>
<td>3,475</td>
<td>3,900</td>
<td>12.2%</td>
</tr>
<tr>
<td>Noble Midstream Partners LP</td>
<td>NBLX</td>
<td>Pass-through</td>
<td>221</td>
<td>258</td>
<td>16.5%</td>
</tr>
<tr>
<td>NuStar Energy LP</td>
<td>NS</td>
<td>Pass-through</td>
<td>666</td>
<td>690</td>
<td>3.6%</td>
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<tr>
<td>ONEOK Inc</td>
<td>OKE</td>
<td>Corporation</td>
<td>2,448</td>
<td>2,600</td>
<td>6.2%</td>
</tr>
<tr>
<td>Pembina Pipeline Corp</td>
<td>PPL CN</td>
<td>Corporation</td>
<td>2,835</td>
<td>2,900</td>
<td>2.3%</td>
</tr>
<tr>
<td>Plains All American Pipeline LP*</td>
<td>PAA</td>
<td>Pass-through</td>
<td>2,684</td>
<td>2,750</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tallgrass Energy LP *</td>
<td>TGE</td>
<td>Corporation</td>
<td>860</td>
<td>1,000</td>
<td>16.2%</td>
</tr>
<tr>
<td>Targa Resources Corp</td>
<td>TRGP</td>
<td>Corporation</td>
<td>1,366</td>
<td>1,350</td>
<td>-1.2%</td>
</tr>
<tr>
<td>The Williams Companies Inc</td>
<td>WMB</td>
<td>Corporation</td>
<td>4,638</td>
<td>5,000</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Average: 8.4%

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* 2018 actual is pro forma for 2018 merger transactions
* 2018 actual excludes one-time gains on asset sales
* 2018 actual includes $97 million in non-repeating, related-party deficiency payments. Excluding the payments, 2019 growth would be 15.3%.
* 2018 actual includes a $68 MM contribution from divested assets, namely PAA’s 30% interest in the BridgeTex Pipeline. Excluding the $68 MM, 2019 growth would be 5.1%.

Source: Company reports as of March 12, 2019
Current Issues // Midstream universe has evolved with consolidations

Source: Alerian as of March 29, 2019

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap (billions)</th>
<th>Percentage of Market Cap</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLP</td>
<td>$272</td>
<td>45.3%</td>
<td>EPD, MMP</td>
</tr>
<tr>
<td>US Energy Infrastructure Companies</td>
<td>$180</td>
<td>29.9%</td>
<td>KMI, TRGP</td>
</tr>
<tr>
<td>Canadian Energy Infrastructure Companies</td>
<td>$149</td>
<td>24.8%</td>
<td>TRP, ENB</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$601</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Current Issues // Investors must choose what they want

- Tax-Deferred Yield
  - 100% MLP Access Product

- Total Return
  - RIC-Compliant (25% MLP) Access Product

- Broad Exposure

Note: There are other factors to consider with investing. This does not constitute investment advice. A portion of an MLP fund’s distributions are expected to be treated as a tax-deferred return of capital for tax purposes.
Current Issues // MLPs and midstream have become more investable

- Restructurings largely completed
- Distributions reaching inflection point
- Shift to self-funding equity capital
- Improved leverage metrics / stronger balance sheets
**Current Issues // What are potential catalysts?**

- Oil price stability or improvement
- Generalist or new investors entering the space
- Midstream unit/share buybacks
- Major private equity transaction
Current Issues // What are the risks?

- Sharp interest rate increase
- Tax law changes
- Execution
- Broad equity market decline
- Limited capital markets access
- Labor/materials availability
- Demand destruction
- Environmental law changes
- Recontracting
- Perceived commodity price exposure
Appendix // MLPs and total market capitalization

Excludes cross ownership
Source: Alerian as of December 31, 2018
Appendix // Alerian’s midstream indices
Appendix // AMZ and AMZI methodology

AMZ – Alerian MLP Index
Constituents: 35*

Structure
• Publicly traded partnership or LLC

Cash Flow
• Earn majority of cash flow from qualifying midstream activities involving energy commodities¹

Size
• Have a market capitalization of at least $75 million

AMZI – Alerian MLP Infrastructure Index
Constituents: 23*

Structure
• Publicly traded partnership or LLC
• Represent the LP interests of a publicly traded partnership or LLC that is an operating company

Cash Flow
• Earn majority of cash flow from qualifying midstream activities involving energy commodities²

Liquidity
• Median daily trading volume of at least $5 million for the six months preceding the data analysis date

Distribution
• Declare a distribution for the trailing two quarters

¹ Qualifying midstream activities per the Energy MLP Classification Standard (EMCS SM)
² As of March 29, 2019

Last AMZ methodology update: November 30, 2018
Last AMZI methodology update: February 28, 2019
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