

Guide to Energy Infrastructure Investing

GTE Wealth Forum
Fort Lauderdale, Florida

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About Alerian



Real-time MLP Index
MLP ETN
MLP ETF

\$15 billion in index-linked products

72% market share for passive exchange traded products

17
product
partners



12

REAL-TIME MLP & ENERGY INFRASTRUCTURE INDICES

AMZ / AMZI / AMEI / AMCS / AMZE / ANGI / AMLI / AMMI / AMSI / AMCI /
AMNA / AMUS

About Alerian // Alerian index series

SECTOR // Midstream

AMNA

Alerian Midstream Energy Index

..... US + Canadian
Energy Infrastructure

AMUS

Alerian US Midstream
Energy Index

..... US Energy Infrastructure

AMEI

Alerian Midstream Energy
Select Index

..... US + Canadian
Energy Infrastructure

SECTOR // MLP

AMZ

Alerian MLP Index

..... Energy MLPs

AMZI

Alerian MLP Infrastructure Index

..... Infrastructure MLPs

SIZE

AMLI

Alerian Large Cap MLP Index

..... Energy MLPs

AMMI

Alerian Mid Cap MLP Index

..... Energy MLPs

AMSI

Alerian Small Cap MLP Index

..... Energy MLPs

STRATEGY

AMZE

Alerian MLP Equal Weight Index

..... Energy MLPs

AMCI

Alerian MLP Closed End
Fund Index

..... MLP Closed End Funds

ANGI

Alerian Natural Gas MLP Index

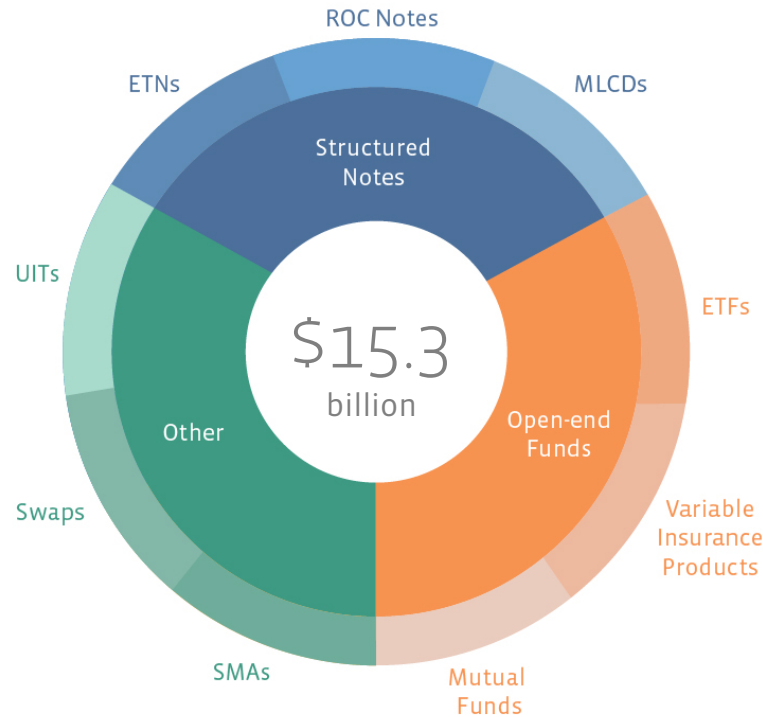
..... Natural Gas MLPs

AMCS

Alerian Energy Infrastructure
Capital Strength Select Index

..... Energy Infrastructure

About Alerian // Facilitating energy infrastructure investing



About Alerian // Facilitating energy infrastructure investing

AMZ

AMJ // \$2,634
JPMorgan Alerian MLP Index ETN

Licensee: JPMorgan
Annual Fee: 0.85%

AMU // \$289
ETRACS Alerian MLP Index ETN

Licensee: UBS
Annual Fee: 0.80%

AMJL // \$9
X-Links Monthly Pay 2X Leveraged
Alerian MLP Index ETN

Licensee: Credit Suisse
Annual Fee: 0.85%

AMZI

AMLPL // \$9,663
Alerian MLP ETF

Licensee: ALPS
Annual Fee: 0.85%

MLPI // \$1,564
ETRACS Alerian MLP Infrastructure
Index ETN

Licensee: UBS
Annual Fee: 0.85%

MLPQ // \$70
ETRACS 2x Leveraged Alerian MLP
Infrastructure Index ETN

Licensee: UBS
Annual Fee: 0.85%

AMEI

ENFR // \$41
Alerian Energy Infrastructure ETF

Licensee: ALPS
Annual Fee: 0.65%

ANGI

MLPG // \$8
ETRACS Alerian Natural Gas MLP
Index ETN

Licensee: UBS
Annual Fee: 0.85%



Overview of MLPs

Overview of MLPs // Why MLPs?



Above-Average Yield

MLPs pay no taxes at the entity level, so they can distribute more of their cash flow to investors as distributions



Stable Cash Flows

Fee-based, volume-driven business models that benefit from growing energy demand domestically and abroad



Energy Infrastructure

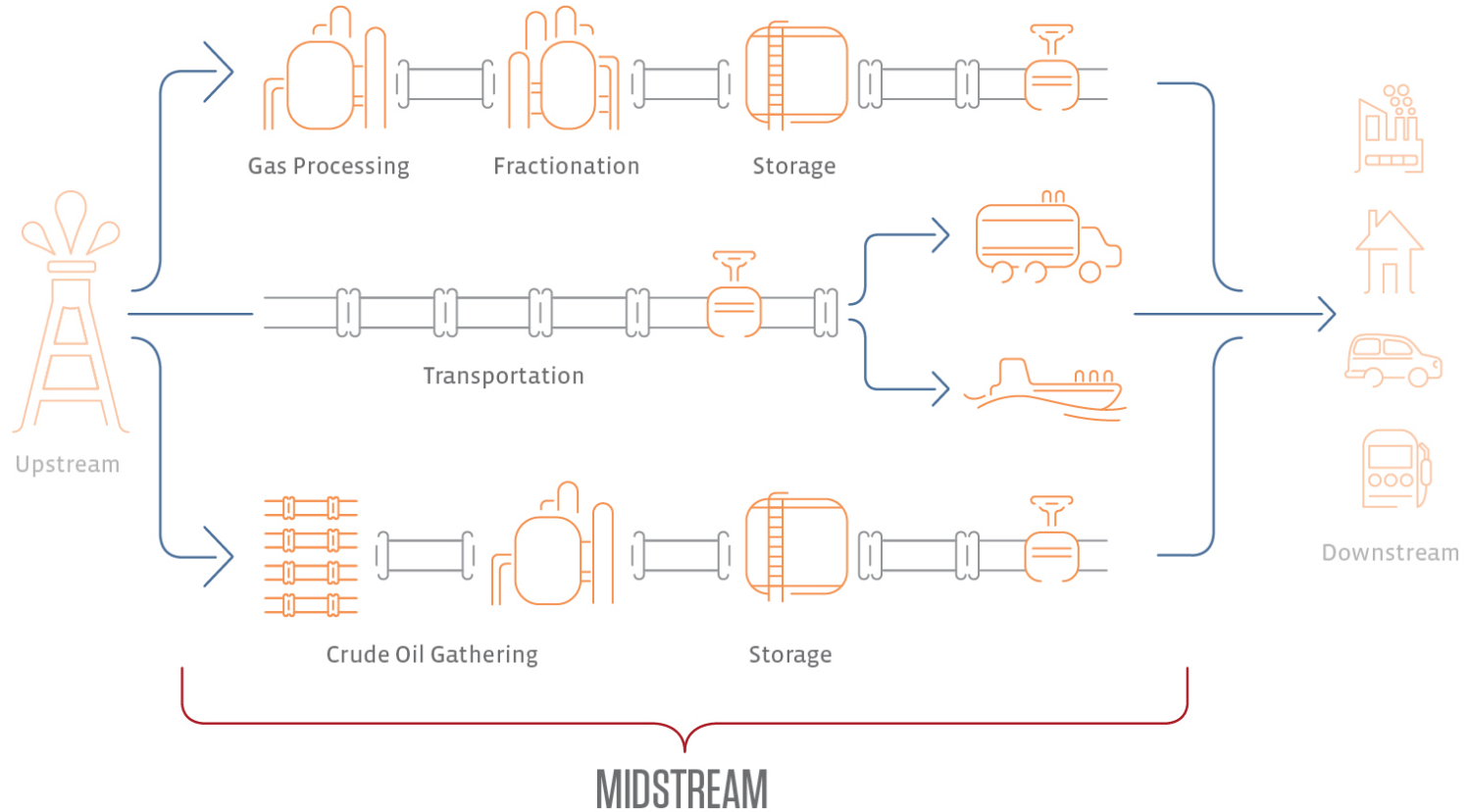
Exposure to long-lived real assets that generate inflation-protected cash flows; organic project development supports growing cash flows, allowing for increased distributions



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

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

Wealth Transfer

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

Tax-Advantaged Accounts

- Subject to tax if unrelated business taxable income (UBTI) exceeds \$1,000
- UBTI based on partnership income, not cash distributions

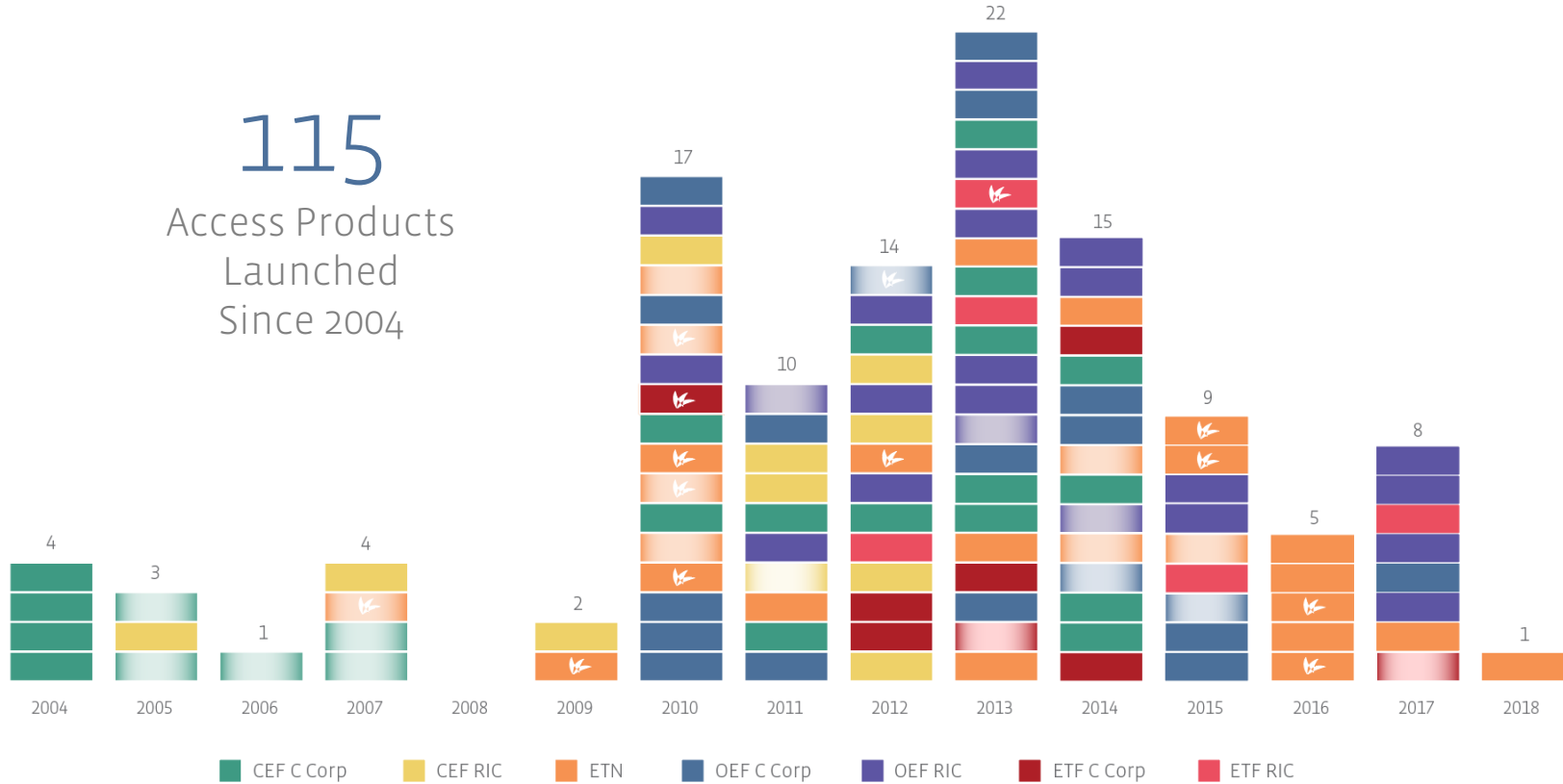


**Energy
Infrastructure
Investing**

Energy Infrastructure Investing // Many access products available

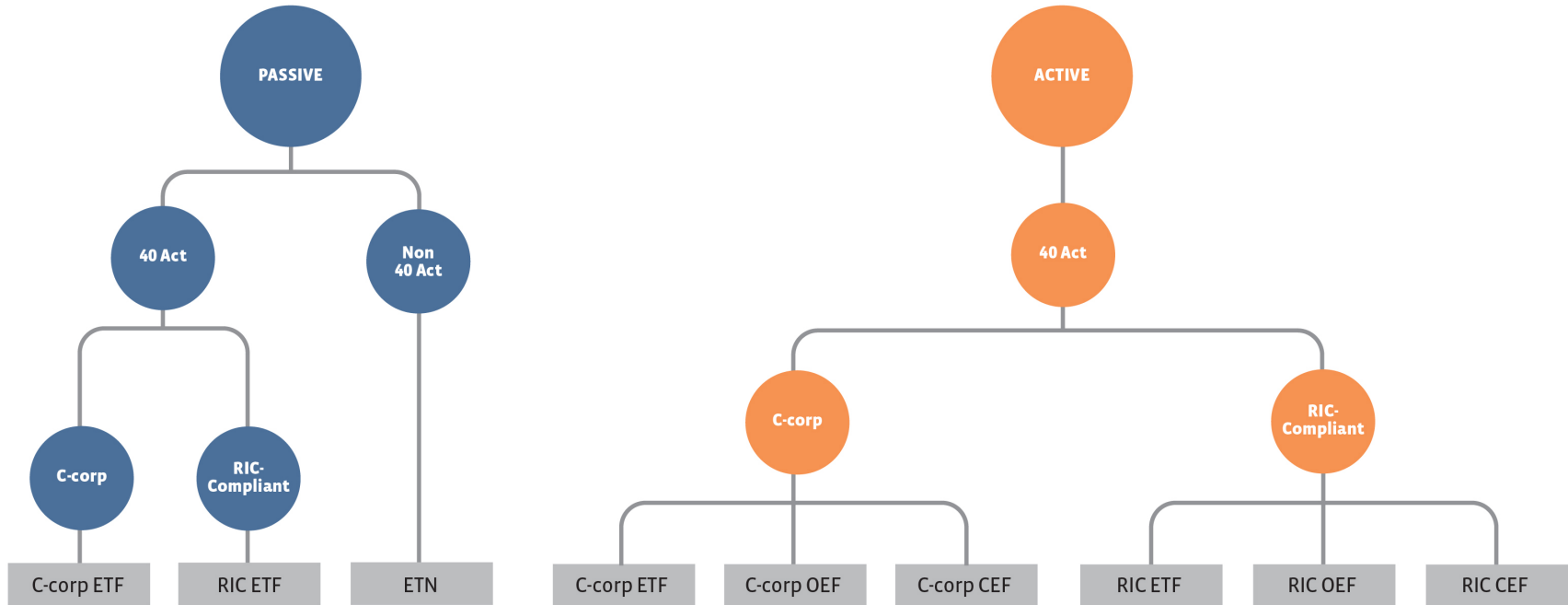
115

Access Products
Launched
Since 2004

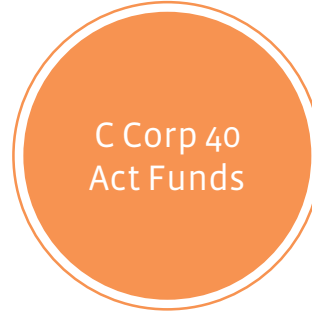
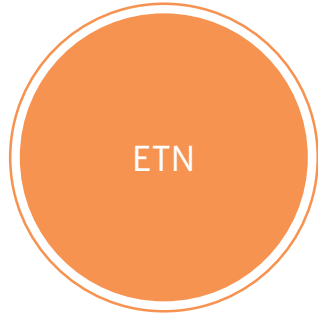


Note: Faded colors represent funds that are now delisted
Source: Alerian as of September 28, 2018

Energy Infrastructure Investing // Product decision tree



Energy Infrastructure Investing // Different options to meet needs



Advantages

Little/No Tracking Error
100% MLP Exposure

Generally Higher After-Tax Income*
Ownership of Underlying Securities
100% MLP Exposure

Little/No Tracking Error
Ownership of Underlying Securities



Disadvantages

Generally Lower After-Tax Income**
Credit Risk of Issuer

Deferred Tax Liability Mutes Gains

25% MLP Exposure
Generally Lower Income***



Suitability

Tax-Advantaged Investors
Total Return Investors
Comfortable with Issuer
Credit Risk

After-Tax Yield Investors

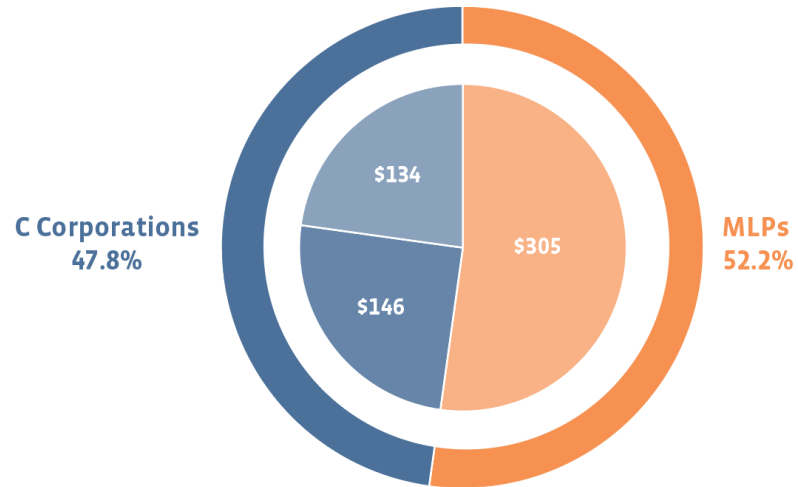
Tax-Advantaged Investors
Total Return Investors
Comfortable with Non-MLP Investments
Prefer Broad Exposure

*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

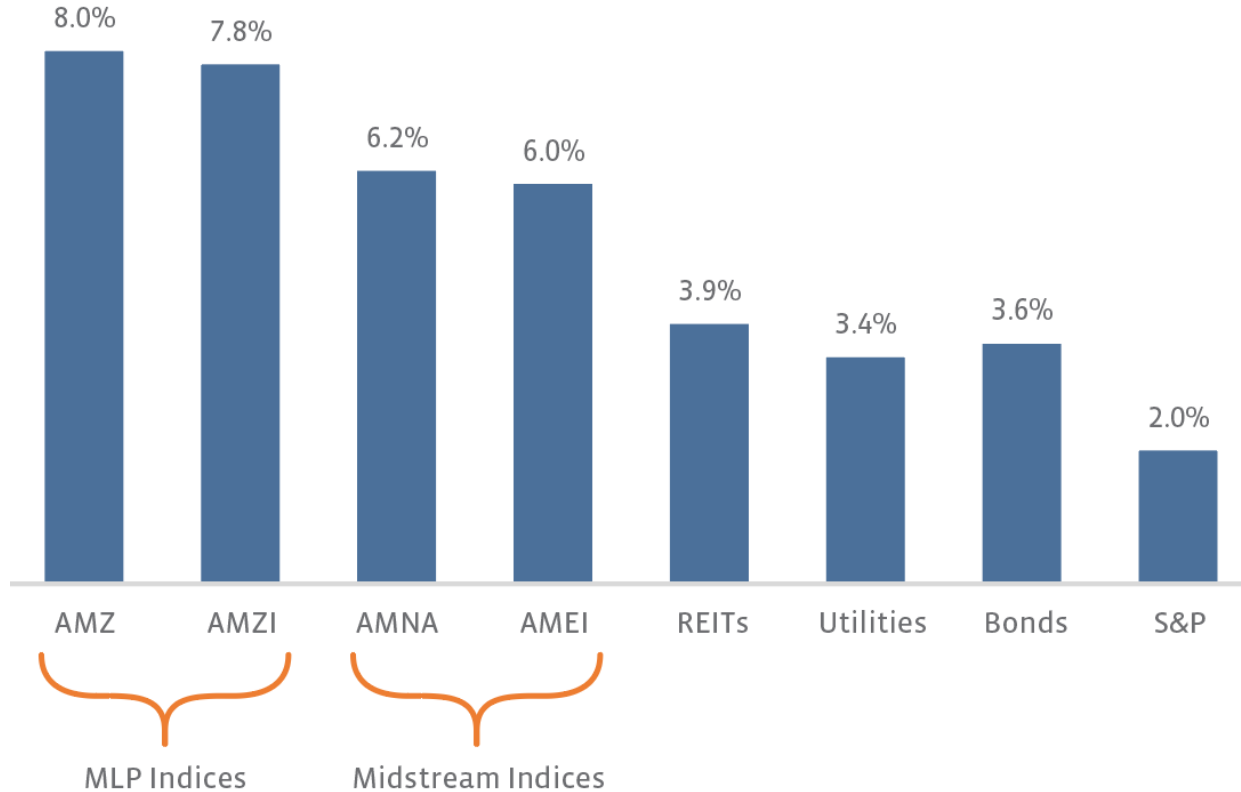
***Due to lower MLP exposure

Energy Infrastructure Investing // Midstream universe



Company	Market Cap (billions)	Percentage of Market Cap	Examples
MLP	\$305	52.2%	EPD, MMP
Canadian Energy Infrastructure Companies	\$146	25.0%	TRP, ENB
US Energy Infrastructure Companies	\$134	22.8%	KMI, TRGP
Total	\$586		

Energy Infrastructure Investing // Attractive relative yields



Energy Infrastructure Investing // Passive vs. active – high overlap

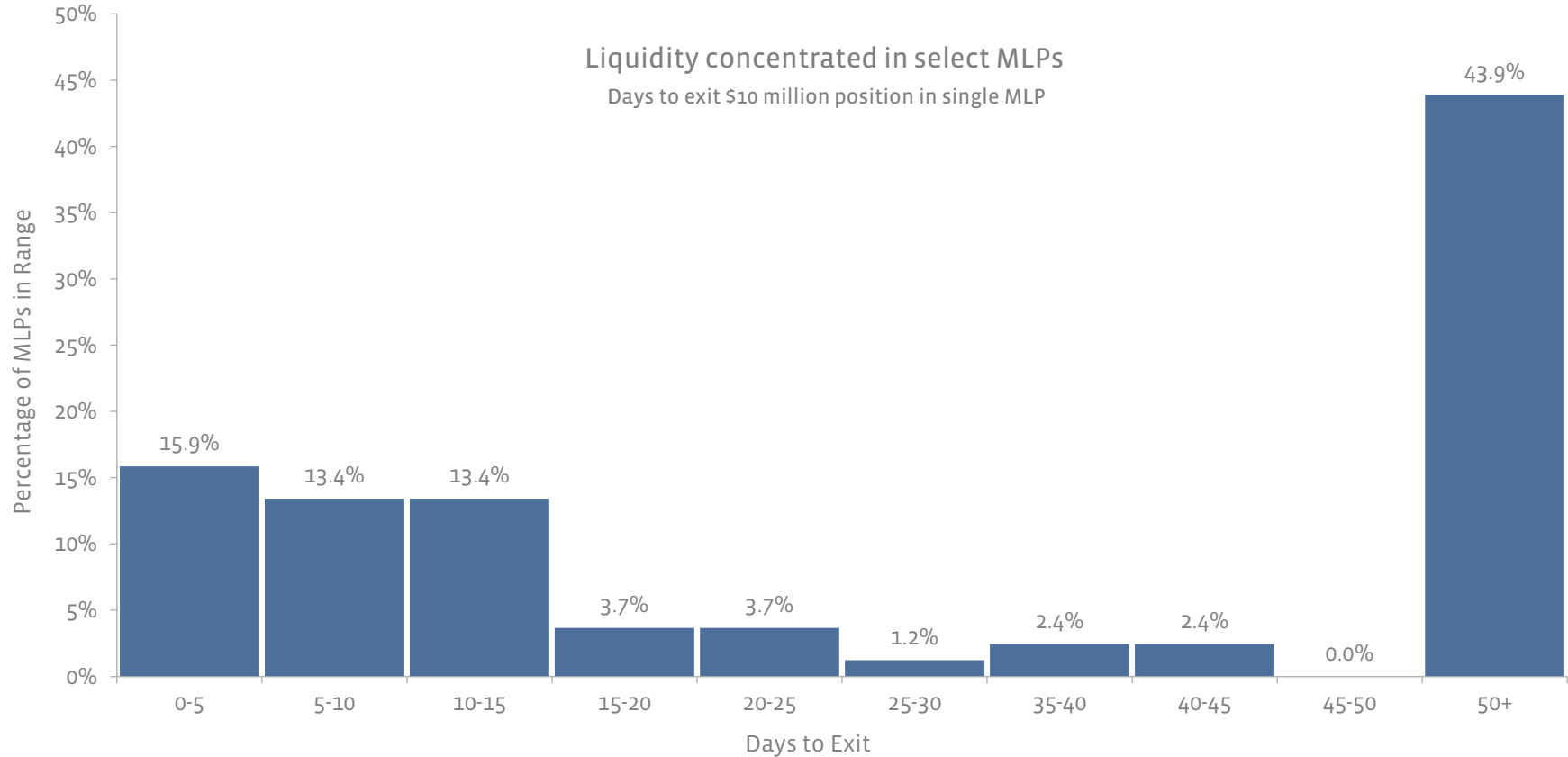
MLP ETF AUM: \$9.9B		
Name	Ticker	% of Total Assets
Enterprise Product Partners LP	EPD	10.1%
Magellan Midstream Partners	MMP	9.9%
Plains All American Pipeline LP	PAA	9.9%
Energy Transfer Partners, LP	ETP	9.8%
MPLX LP	MPLX	9.2%
Buckeye Partners LP	BPL	4.6%
Western Gas Partners LP	WES	4.4%
EQT Midstream Partners LP	EQM	4.3%
Andeavor Logistics LP	ANDX	3.9%
DCP Midstream, LP	DCP	3.3%
Total Overlap with MLP ETF		100.0%

MLP OEF A AUM: \$3.6B		
Name	Ticker	% of Total Assets
Energy Transfer Partners LP	ETP	6.0%
Tallgrass Energy LP	TGE	5.7%
Genesis Energy LP	GEL	4.8%
TC Pipelines LP	TCP	4.8%
Energy Transfer Equity LP	ETE	4.6%
Enterprise Products Partners LP	EPD	4.6%
Targa Resources Corp.	TRGP	4.5%
MPLX LP	MPLX	4.4%
Holly Energy Partners LP	HEP	4.0%
Magellan Midstream Partners LP	MMP	3.9%
Total Overlap with MLP ETF		56.5%

MLP OEF B AUM: \$2.4B		
Name	Ticker	% of Total Assets
Enterprise Products Partners LP	EPD	8.1%
Energy Transfer Partners LP	ETP	7.9%
Williams Partners LP	WPZ	7.8%
Targa Resources Corp.	TRGP	7.1%
Western Gas Partners LP	WES	6.0%
NuStar Energy LP	NS	6.0%
MPLX LP	MPLX	5.4%
Andeavor Logistics LP	ANDX	5.4%
Plains All American Pipeline LP	PAA	5.3%
Enlink Midstream Partners LP	ENLK	5.3%
Total Overlap with MLP ETF		65.0%

MLP OEF C AUM: \$2.7B		
Name	Ticker	% of Total Assets
Enterprise Products Partners LP	EPD	10.0%
Energy Transfer Partners LP	ETP	9.3%
Magellan Midstream Partners LP	MMP	8.8%
MPLX LP	MPLX	7.3%
Williams Cos., Inc.	WMB	7.0%
Plains All American Pipeline LP	PAA	6.9%
Targa Resources Corp.	TRGP	4.5%
EQT Midstream Partners LP	EQM	3.7%
Energy Transfer Equity LP	ETE	3.5%
Cheniere Energy, Inc.	CQP	3.1%
Total Overlap with MLP ETF		69.6%

Energy Infrastructure Investing // Liquidity constraints with MLPs



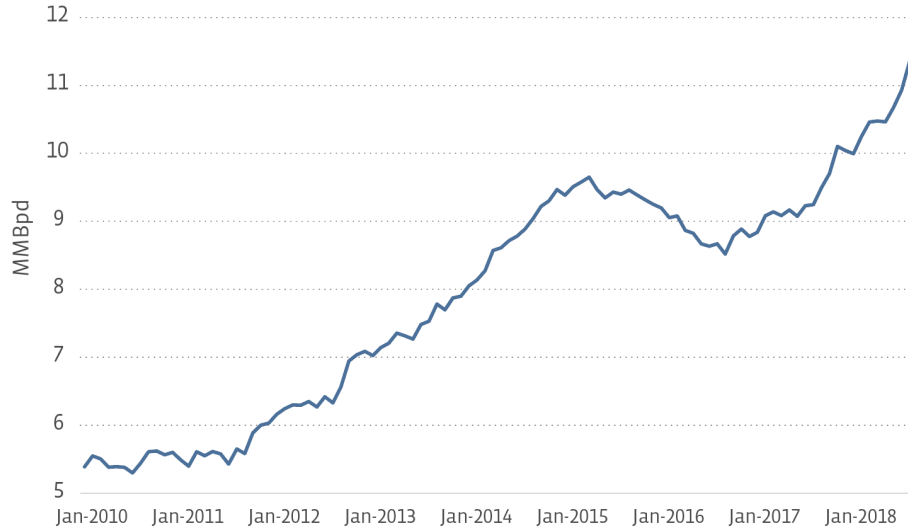
Source: Bloomberg as of October 31, 2018
Assumes trader comprises 10% of daily trading volume



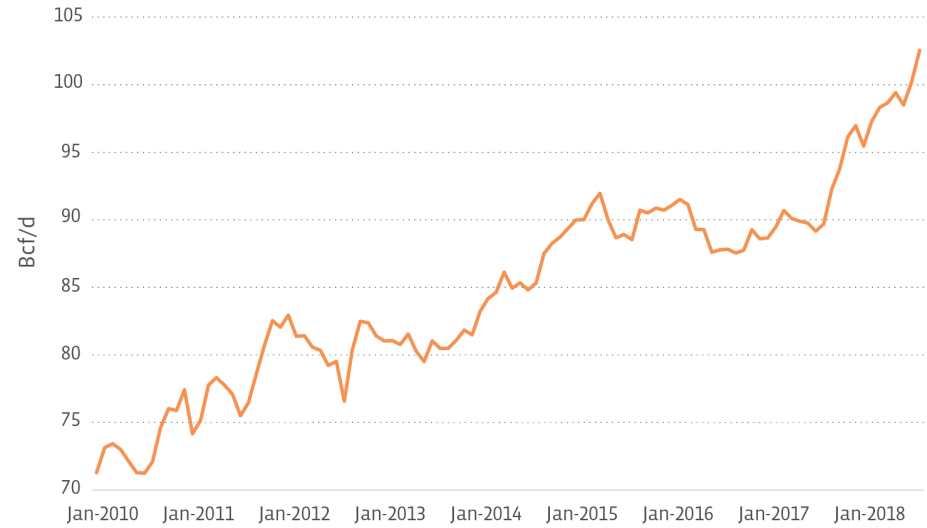
**Current
Issues**

Current Issues // Robust oil and gas production in the US

US Crude Production Since 2010

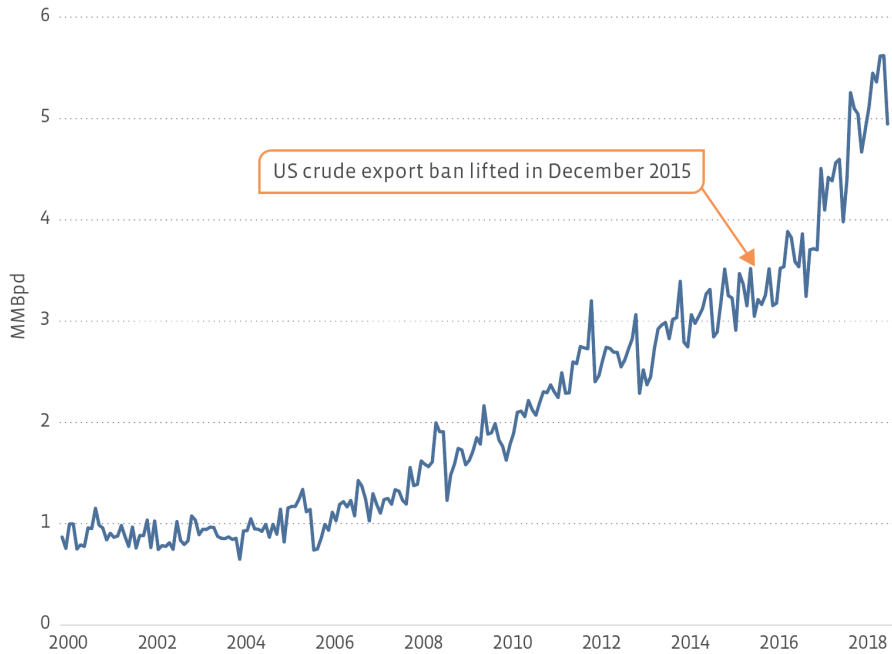


US Natural Gas Production Since 2010

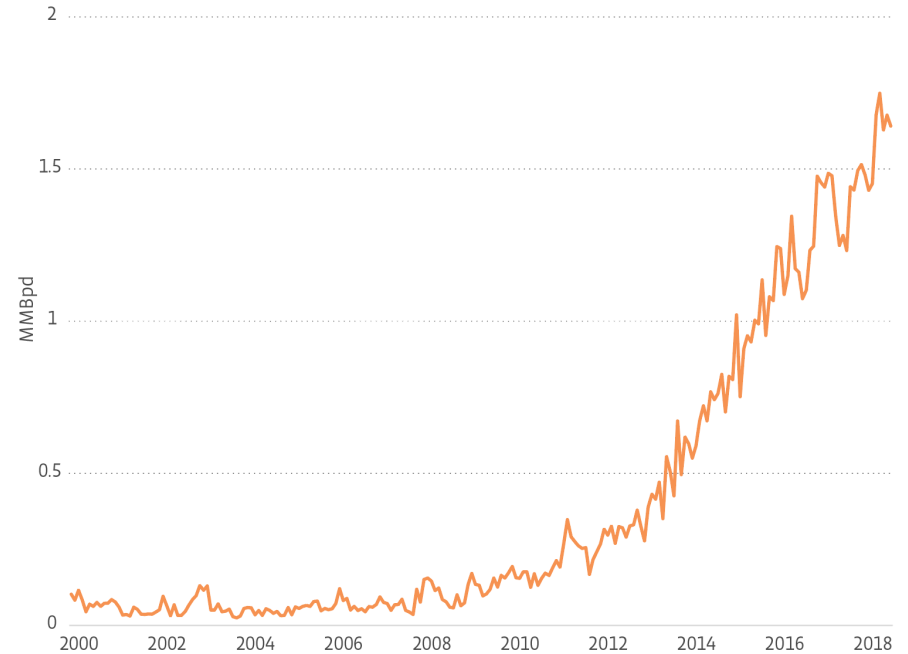


Current Issues // US becoming major energy supplier to rest of world

US Crude and Petroleum Product Exports Reaching New Highs



US Exports of Natural Gas Liquids Steeply Rising



Current Issues // Robust EBITDA growth anticipated in 2019

Midstream Company	Ticker	Adjusted EBITDA Guidance		
		2018 (\$MM)	2019 (\$MM)	% Increase
Cheniere Energy	LNG	2,450-2,550	2,900-3,200	22%
Crestwood Equity Partners	CEQP	400-420	460-480	15%
Enable Midstream Partners	ENBL	975-1,050	1,090-1,180	11%
EnLink Midstream Partners	ENLK	1,000-1,050	1,075	5%
NuStar Energy	NS	635-685	665-715	5%
Plains All American Pipeline	PAA	2,550	2,800	10%
Targa Resources*	TRGP	1,325	1,500-1,700	21%
Williams Companies	WMB	4,450-4,650	4,850-5,150	10%

*The \$1,325 MM represents the top end of 2018 guidance, which TRGP expects to exceed.
Source: Company reports as of November 16, 2018

Current Issues // MLP consolidation transactions continue

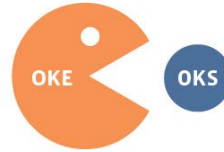
2014



2016

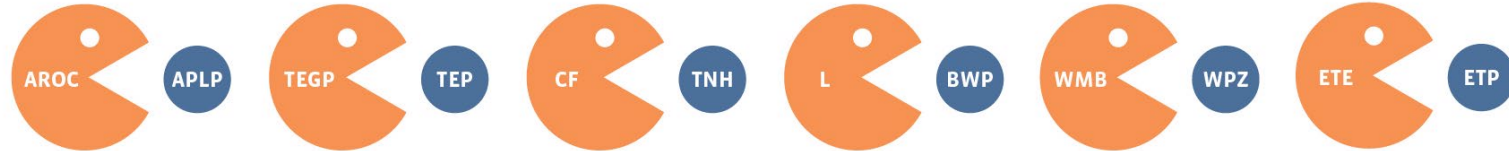


2017

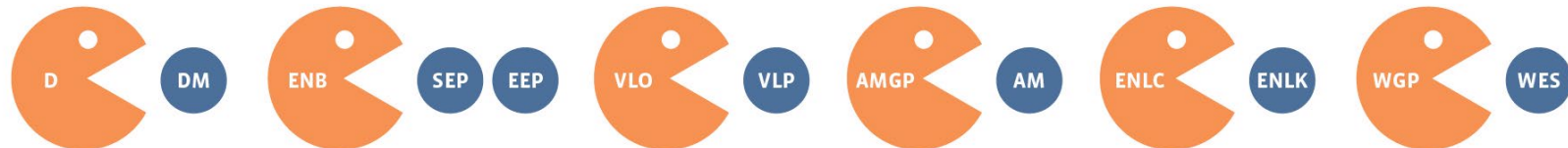


2018

Completed

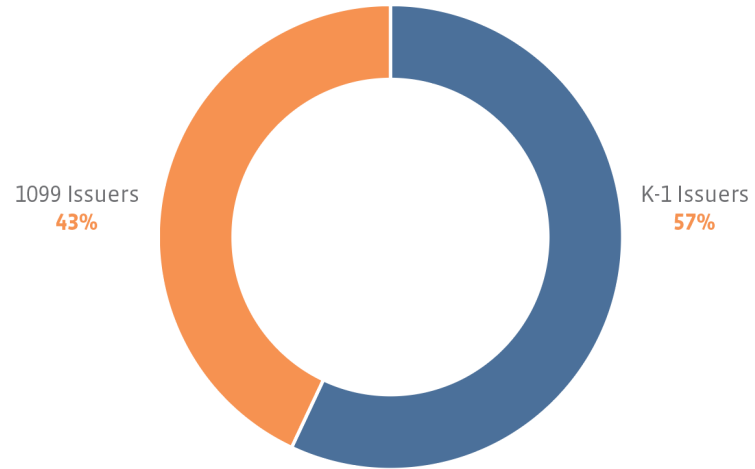


Pending as of November 16, 2018



Current Issues // Most midstream names structured as MLPs

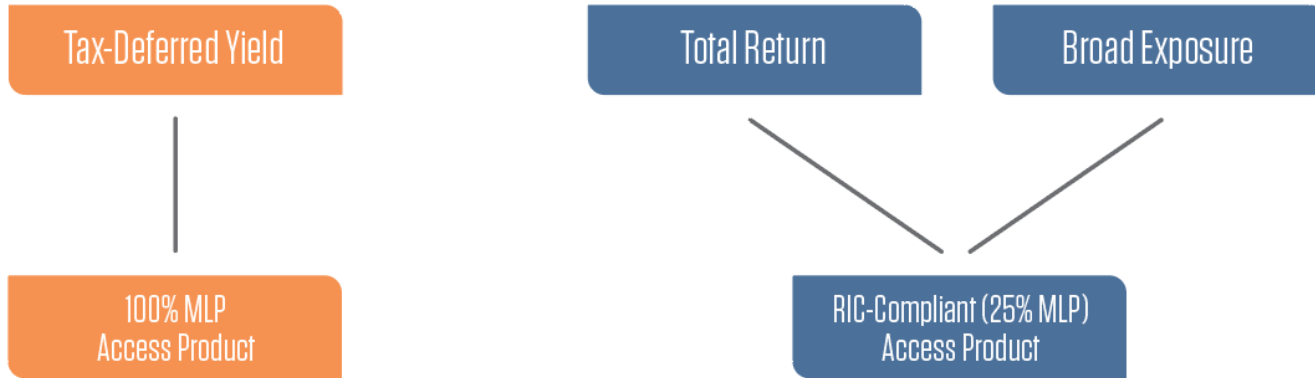
US Midstream Float-Adjusted Market Capitalization is Majority K-1 Issuers



Source: Alerian as of November 09, 2018

Note: The chart does not account for the pending transactions on slide 24. Midstream companies are those entities involved in storage, transportation, and processing. Midstream excludes compression companies.

Current Issues // Investors must choose what they want



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 // What's happening with MLPs?



Restructurings



Distributions evolving



Shift to self-funding

Current Issues // What needs to happen for MLPs to improve?



Continued operational execution



Oil stability or improvement



Structure questions solved



Inflows into the space

Current Issues // What are the risks?



Sharp interest rate increase



Labor/materials availability



Tax law changes



Demand destruction



Execution



Environmental law changes



Broad equity market decline



Recontracting



Limited capital markets access

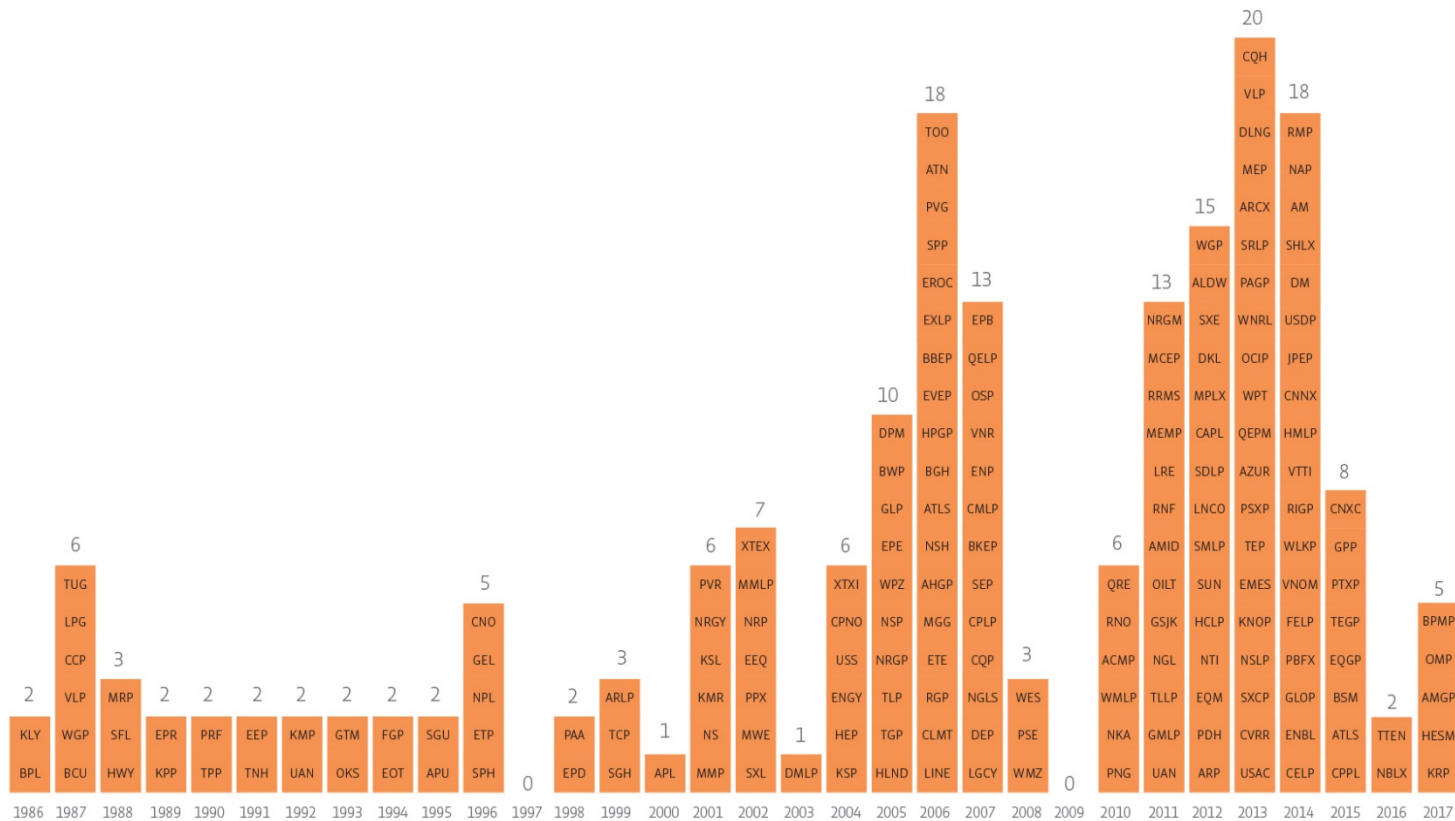


Perceived commodity price exposure

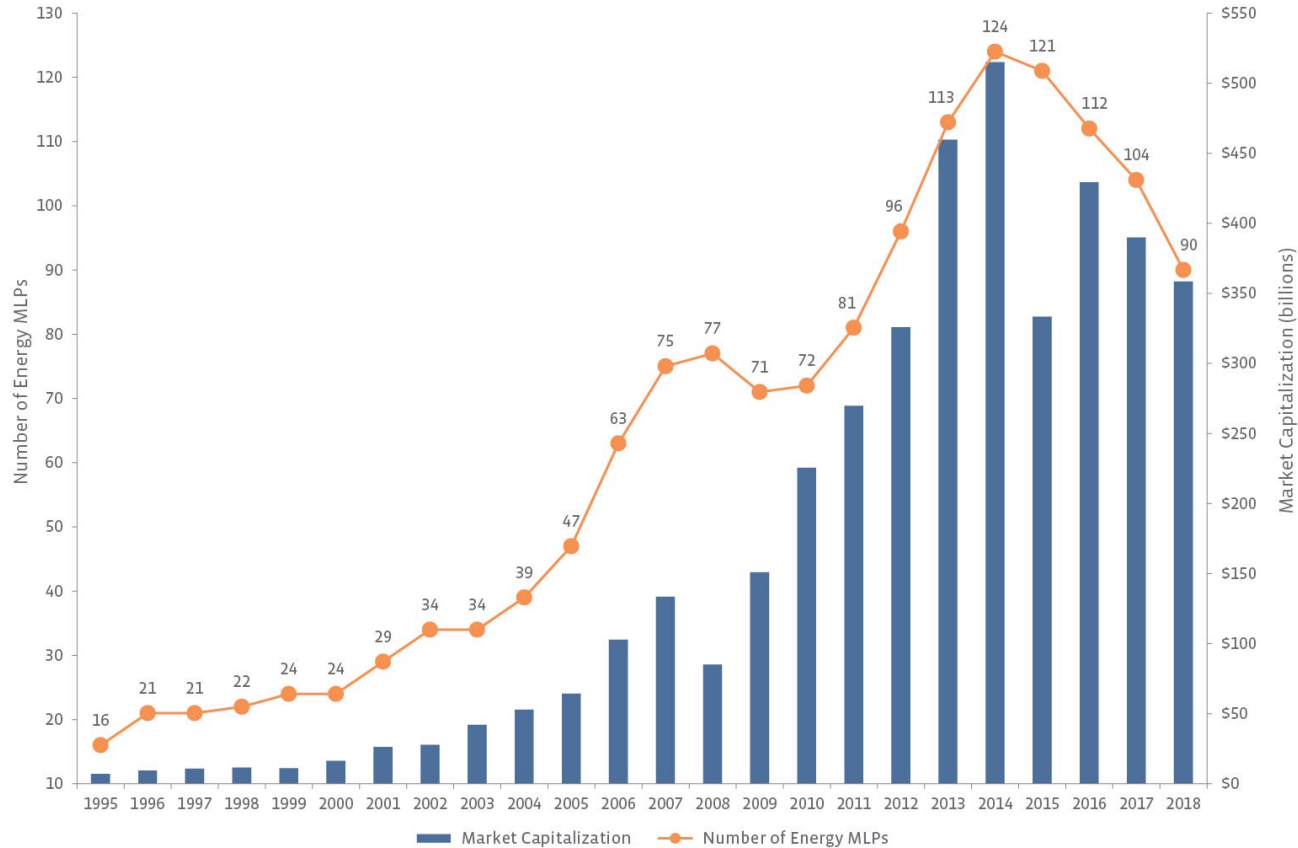


Appendix

Appendix // History of MLP IPOs



Appendix // MLPs and total market capitalization



Excludes cross ownership
 Source: Alerian as of October 31, 2018

Appendix // AMZ and AMZI methodology

Structure

- Publicly traded partnership or LLC
- Only the entity that operates the assets

Cash Flow

- Generate energy-related (qualifying income) cash flow¹

Distribution

- Declared distribution for trailing two quarters

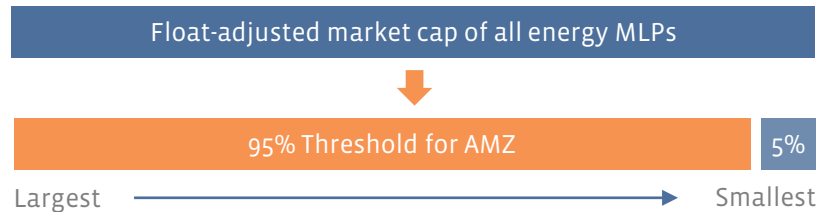
Liquidity

- Median dollar trading volume threshold²

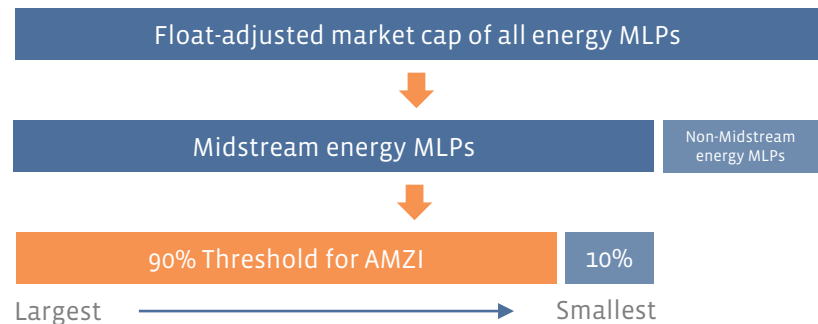
Beta

- Float-adjusted market cap threshold

AMZ



AMZI



¹ For AMZI: qualifying midstream activities, per Energy MLP Classification Standard (EMCS SM)

² For AMZ and AMZI: median daily trading volume of at least \$2.5 million for the six-month period preceding the data analysis date

Last methodology update: September 29, 2017

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