

Guide to Energy Infrastructure Investing

GTE Wealth Forum
Nashville, TN

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About Alerian



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



8

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

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

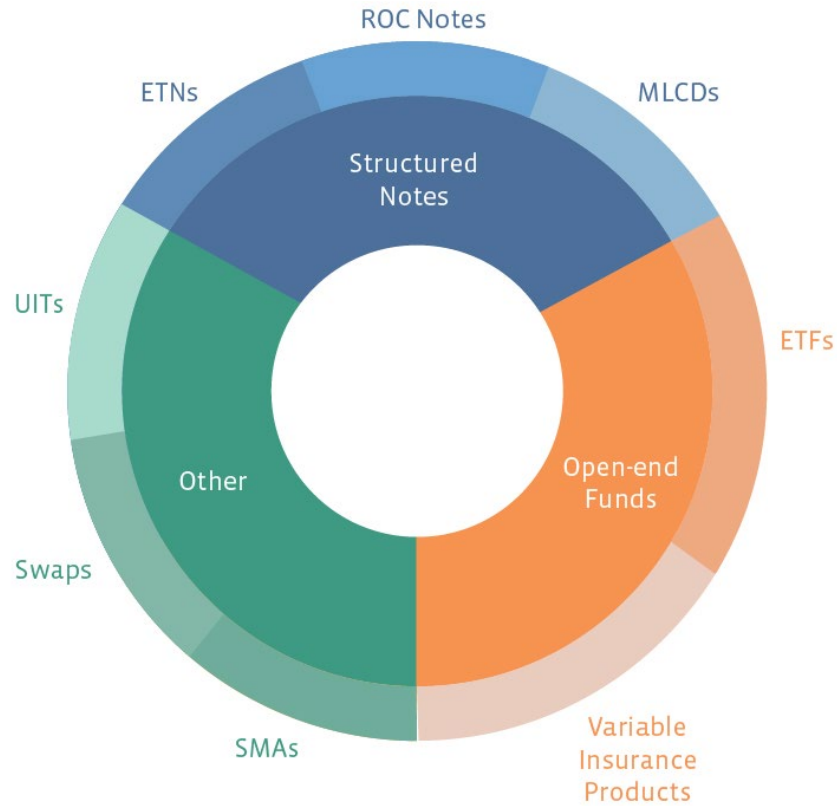
..... Natural Gas MLPs

AMCS

Alerian Energy Infrastructure Capital Strength Select Index

..... Energy Infrastructure

About Alerian // Facilitating energy infrastructure investing



About Alerian // Facilitating energy infrastructure investing

AMZ

AMJ // \$2,450

JPMorgan Alerian MLP Index ETN

Licensee: JPMorgan
Annual Fee: 0.85%

AMU // \$275

ETRACS Alerian MLP Index ETN

Licensee: UBS
Annual Fee: 0.80%

AMJL // \$13

X-Links Monthly Pay 2X Leveraged
Alerian MLP Index ETN

Licensee: Credit Suisse
Annual Fee: 0.85%

AMZI

AMPLP // \$9,203

Alerian MLP ETF

Licensee: ALPS
Annual Fee: 0.85%

MLPI // \$1,311

ETRACS Alerian MLP Infrastructure
Index ETN

Licensee: UBS
Annual Fee: 0.85%

MLPQ // \$84

ETRACS 2x Leveraged Alerian MLP
Infrastructure Index ETN

Licensee: UBS
Annual Fee: 0.85%

AMEI

ENFR // \$65

Alerian Energy Infrastructure ETF

Licensee: ALPS
Annual Fee: 0.65%

ANGI

MLPG // \$9

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 pay out more of their cash flow to investors as distributions



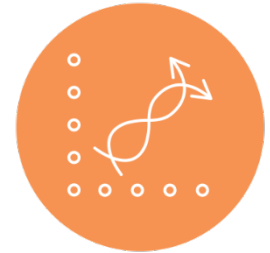
Stable Cash Flows

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



Energy Infrastructure

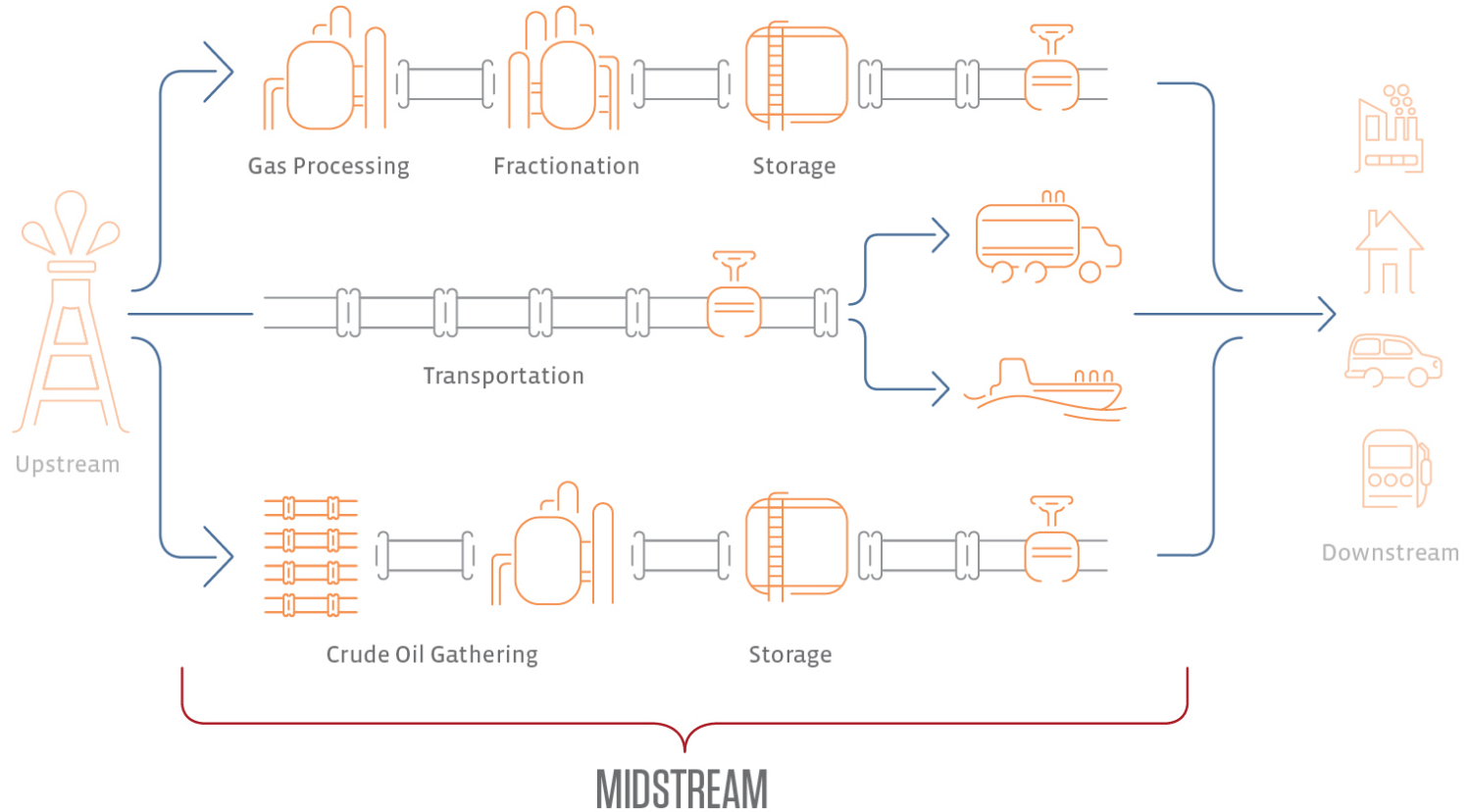
Exposure to long-lived real assets that generate inflation-protected cash flows; organic project development supports growing cash flows, allowing for increased distributions



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

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

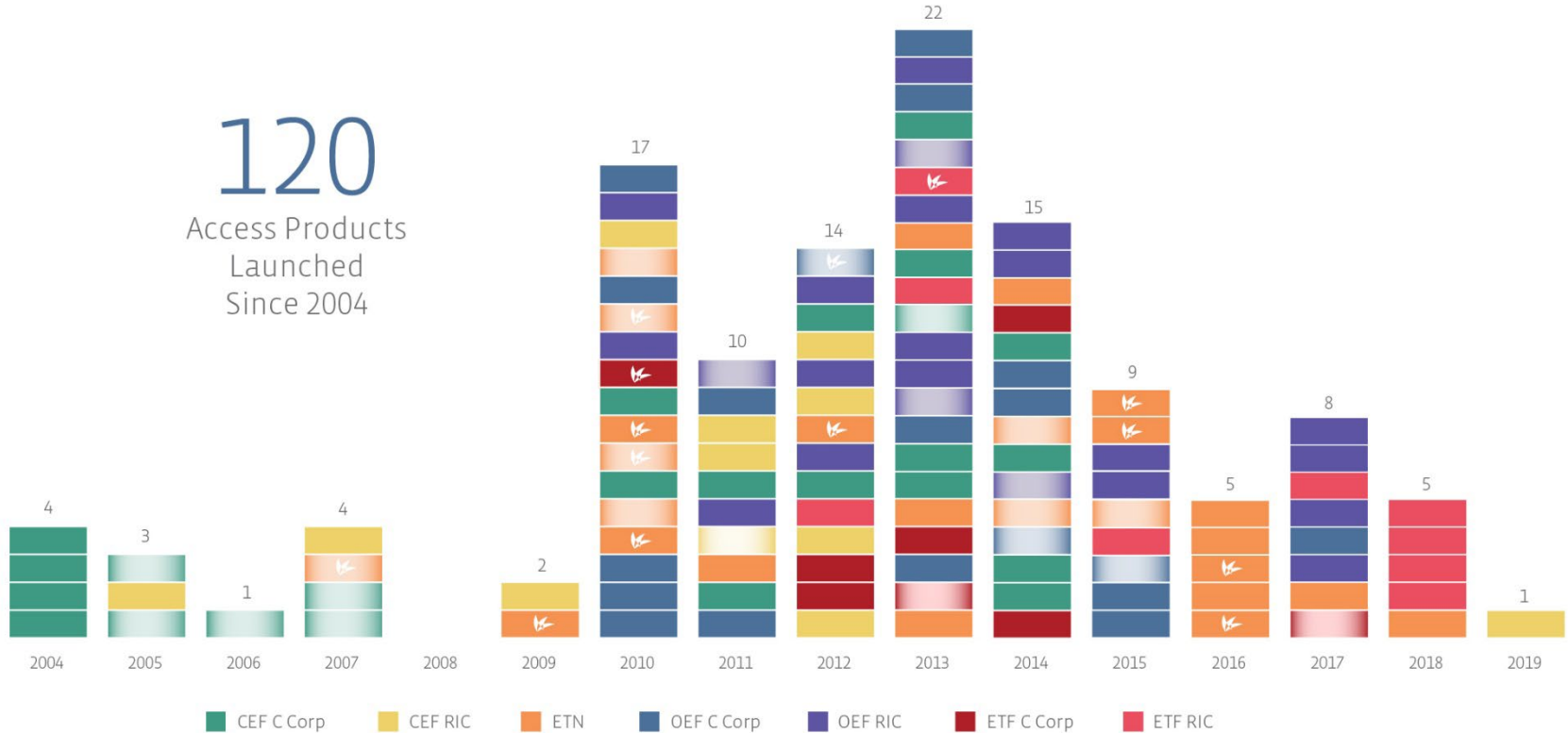


**Energy
Infrastructure
Investing**

Energy Infrastructure Investing // Many access products available

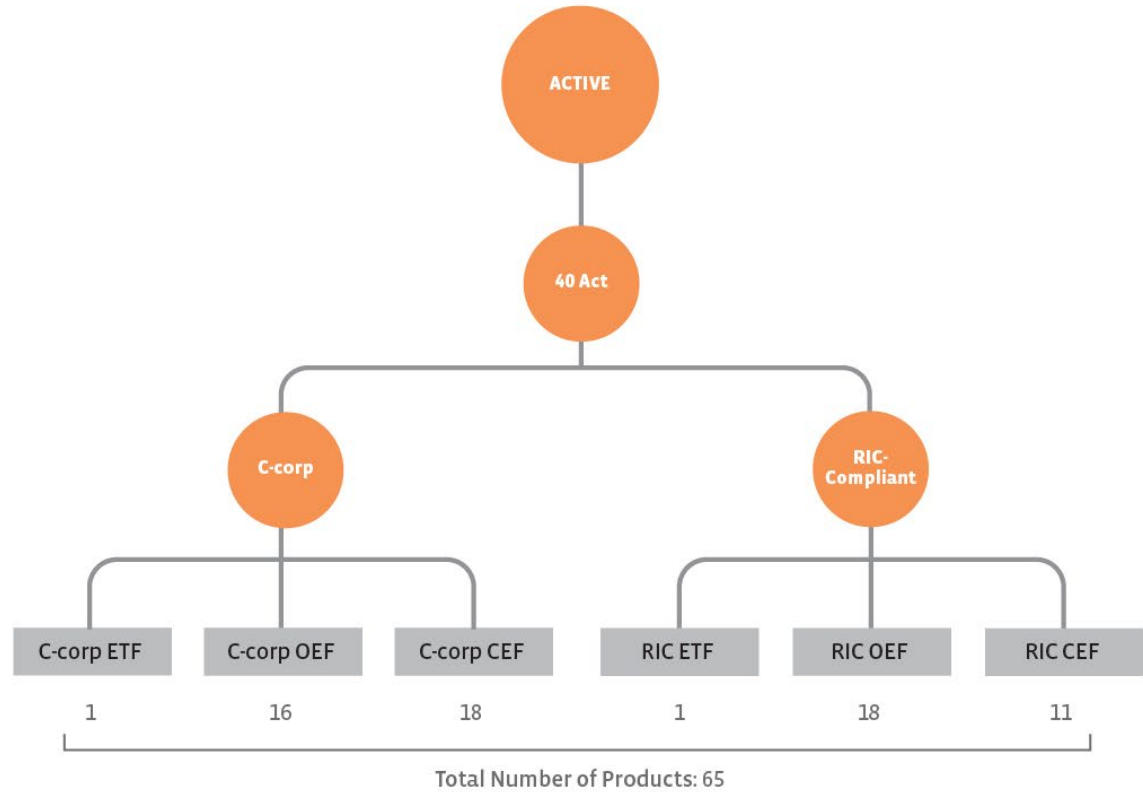
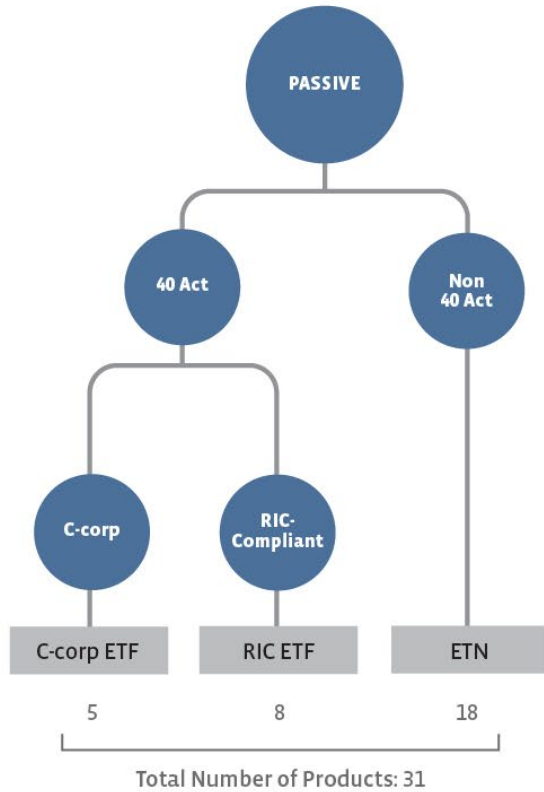
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Access Products
Launched
Since 2004

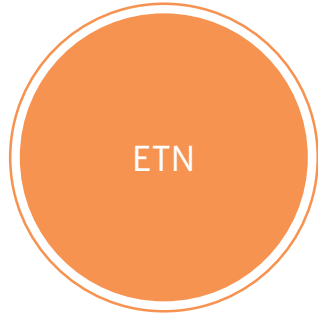


Note: Faded colors represent funds that are now delisted
Source: Alerian as of March 29, 2019

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

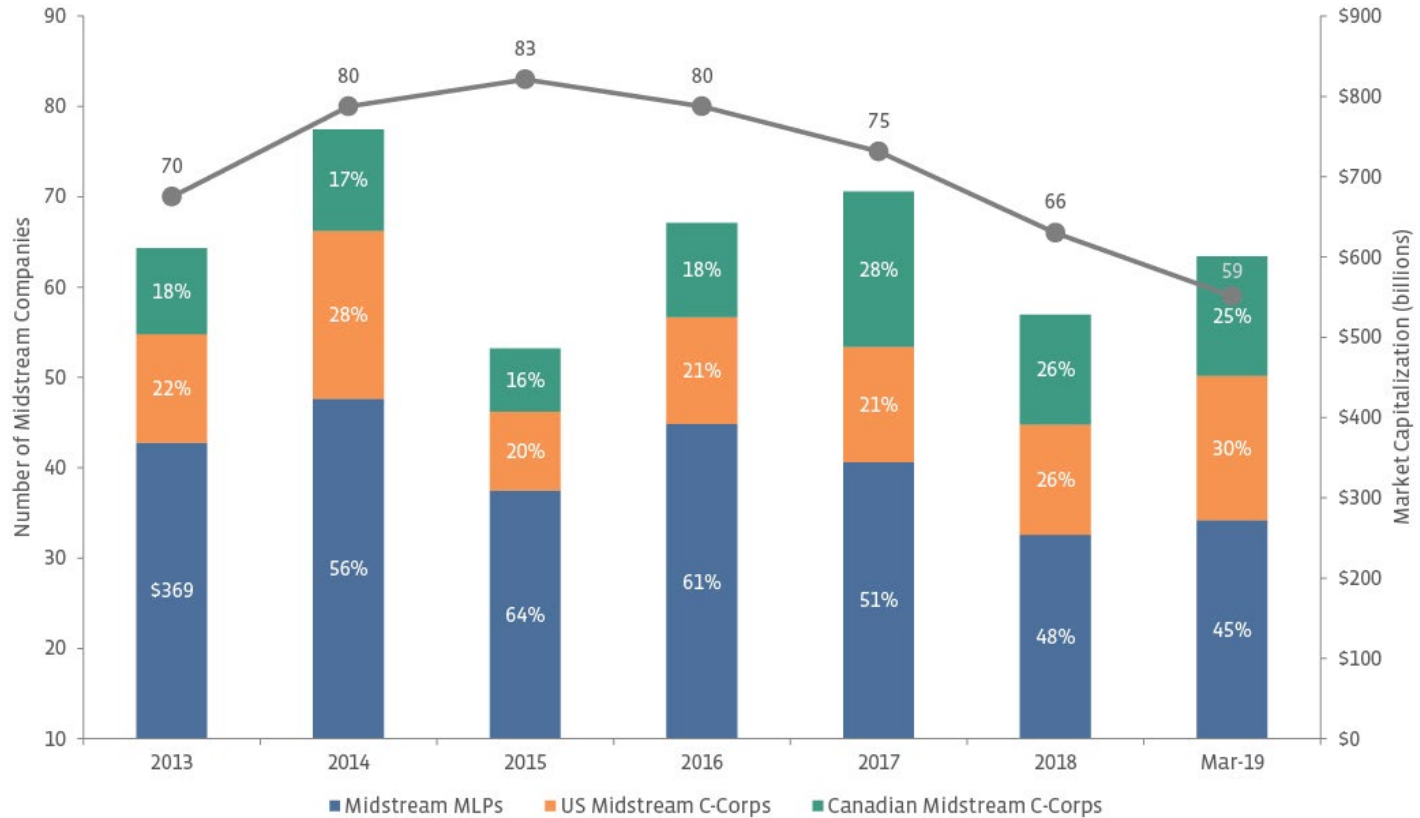
Tax-Advantaged Investors
Total Return Investors
Comfortable with Non-MLP Investments
Prefer Broad Exposure

*Due to expense ratio being taken from NAV, and income being treated as return of capital / qualified dividend

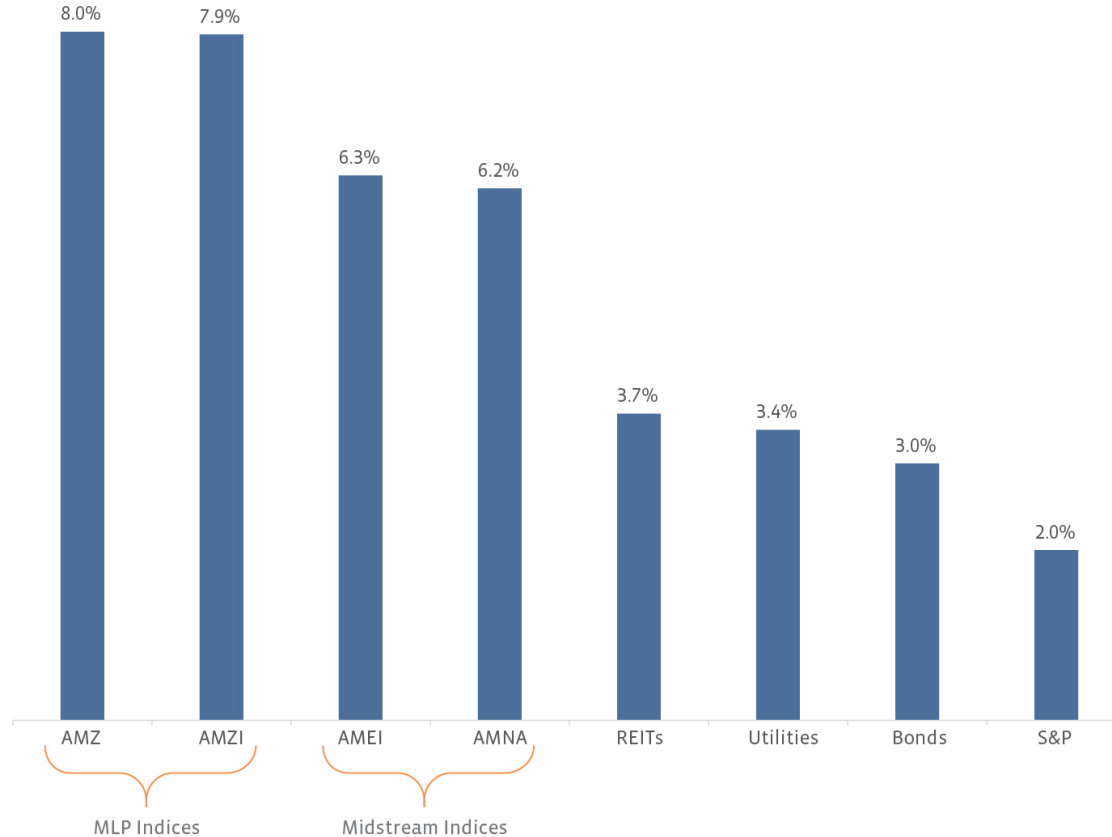
**Due to expense ratio being taken from coupon, and coupon being taxed as ordinary income

***Due to lower MLP exposure

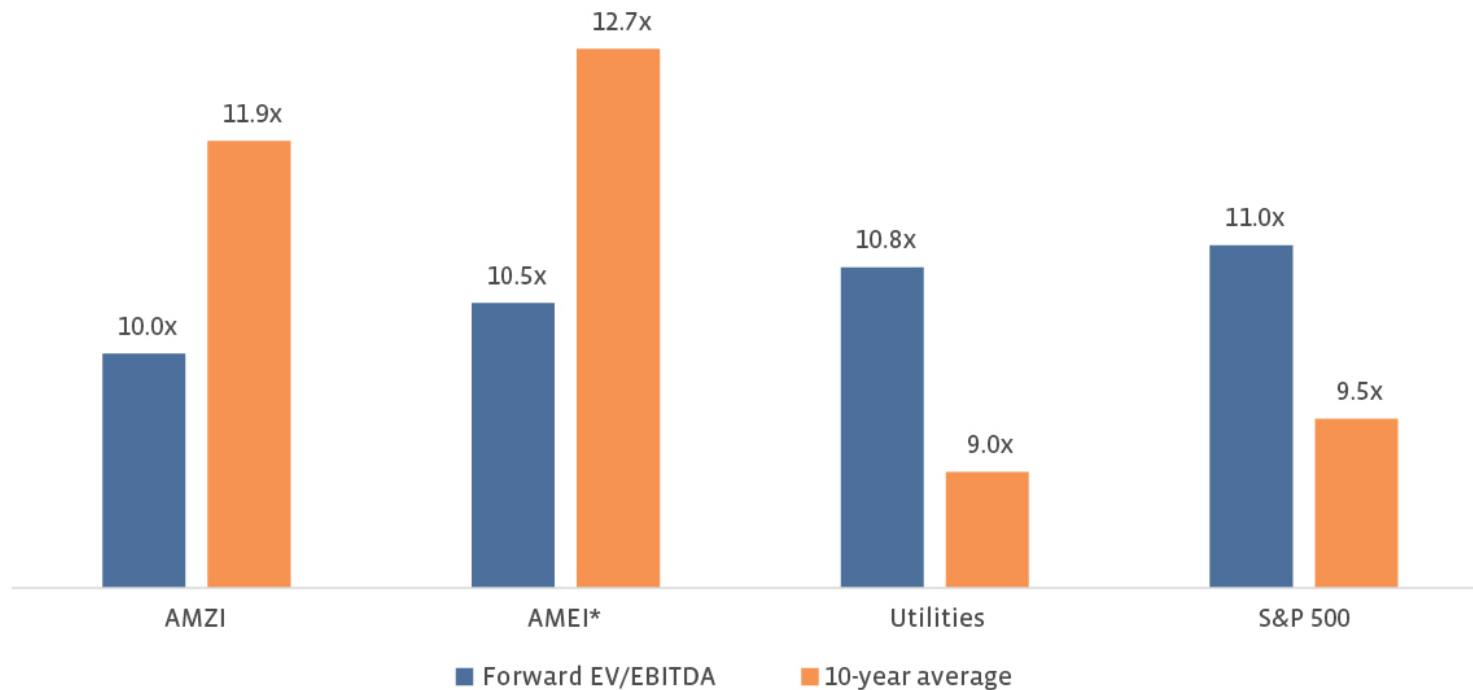
Energy Infrastructure Investing // Midstream universe



Energy Infrastructure Investing // Attractive relative yields



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		
Name	Ticker	% of Total Assets
Energy Transfer LP	ET	10.3%
Enterprise Products Partners LP	EPD	10.2%
Magellan Midstream Partners	MMP	9.9%
Plains All American Pipeline LP	PAA	9.9%
MPLX LP	MPLX	9.9%
Western Gas Partners LP	WES	5.6%
Buckeye Partners LP	BPL	5.0%
Andeavor Logistics LP	ANDX	4.0%
Tallgrass Energy LP	TGE	3.6%
EQM Midstream Partners LP	EQM	3.5%
Total Overlap with MLP ETF		100%

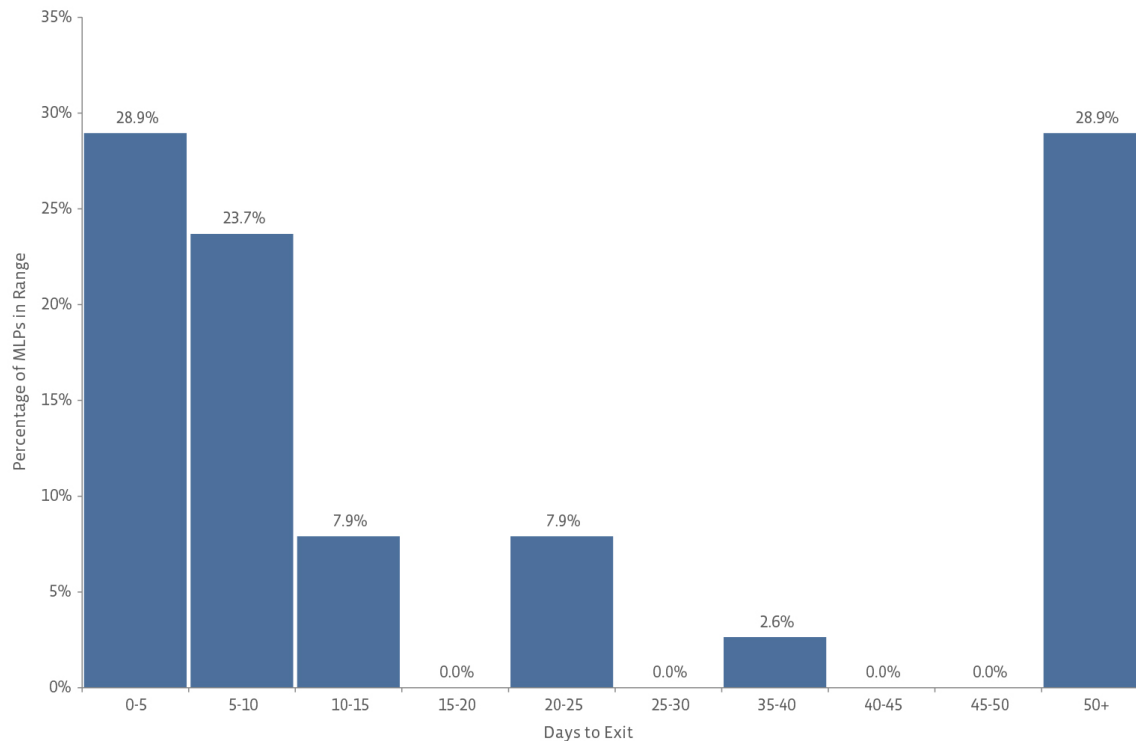
MLP OEF B AUM: \$2.1B		
Name	Ticker	% of Total Assets
Energy Transfer Partners LP	ETP	14.8%
EnLink Midstream Partners LP	ENLK	11.0%
The Williams Cos., Inc.	WMB	8.7%
Enterprise Products Partners LP	EPD	7.7%
Plains All American Pipeline LP	PAA	7.2%
NuStar Energy LP	NS	6.1%
SemGroup Corp	SEMG	4.1%
Targa Resources Corp.	TRGP	4.1%
Kinder Morgan Inc.	KMI	4.1%
Enbridge Inc.	ENB	3.8%
Total Overlap with MLP ETF		53.0%

MLP OEF A AUM: \$3.3B		
Name	Ticker	% of Total Assets
Energy Transfer LP	ET	12.4%
Tallgrass Energy LP	TGE	5.8%
Genesis Energy LP	GEL	5.3%
Archrock, Inc.	AROC	4.7%
NGL Energy Partners LP	NGL	4.3%
Enterprise Products Partners LP	EPD	3.9%
CSI Compressco LP	CCLP	3.8%
The Williams Cos., Inc.	WMB	3.7%
TC PipeLines LP	TCP	3.6%
Buckeye Partners LP	BPL	3.5%
Total Overlap with MLP ETF		48.8%

MLP OEF C AUM: \$2.1B		
Name	Ticker	% of Total Assets
Energy Transfer LP	ET	23.1%
Enterprise Products Partners LP	EPD	12.4%
Plains All American Pipeline LP	PAA	9.3%
MPLX LP	MPLX	6.9%
Western Midstream Partners LP	WES	3.8%
Magellan Midstream Partners LP	MMP	3.6%
Shell Midstream Partners LP	SHLX	3.5%
The Williams Cos., Inc.	WMB	3.0%
EnLink Midstream LLC	ENLC	2.9%
Buckeye Partners LP	BPL	2.9%
Total Overlap with MLP ETF		66.1%

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

US Crude Production Since 2010

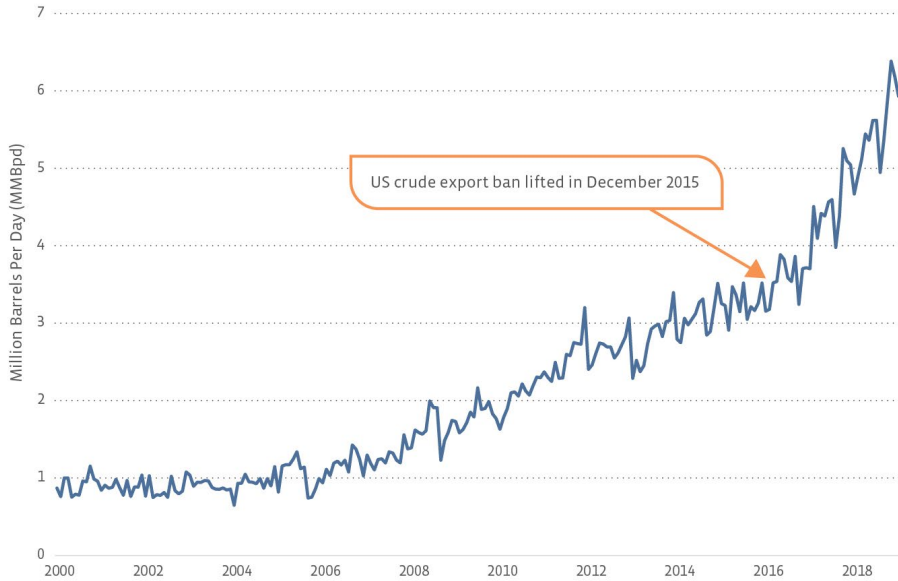


US Natural Gas Production Since 2010



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

Company	Ticker	Taxation	Adjusted EBITDA		Y/Y Increase
			Actual 2018 (\$MM)	Guidance (Midpoint) 2019 (\$MM)	
Andeavor Logistics LP	ANDX	Pass-through	1,201	1,400	16.6%
Cheniere Energy Inc	LNG	Corporation	2,641	3,050	15.5%
Crestwood Equity Partners LP	CEQP	Pass-through	420	475	13.1%
DCP Midstream LP	DCP	Pass-through	1,092	1,215	11.3%
Enable Midstream Partners LP	ENBL	Pass-through	1,074	1,135	5.7%
Energy Transfer LP *	ET	Pass-through	9,510	10,700	12.5%
EnLink Midstream LLC ¹	ENLC	Corporation	1,077	1,130	4.9%
EQM Midstream Partners LP*	EQM	Pass-through	1,218	1,300	6.7%
Genesis Energy LP ²	GEL	Pass-through	674	700	3.9%
Kinder Morgan Inc	KMI	Corporation	7,568	7,800	3.1%
MPLX LP	MPLX	Pass-through	3,475	3,900	12.2%
Noble Midstream Partners LP	NBLX	Pass-through	221	258	16.5%
NuStar Energy LP	NS	Pass-through	666	690	3.6%
ONEOK Inc	OKE	Corporation	2,448	2,600	6.2%
Pembina Pipeline Corp	PPL CN	Corporation	2,835	2,900	2.3%
Plains All American Pipeline LP ³	PAA	Pass-through	2,684	2,750	2.5%
Tallgrass Energy LP *	TGE	Corporation	860	1,000	16.2%
Targa Resources Corp	TRGP	Corporation	1,366	1,350	-1.2%
The Williams Companies Inc	WMB	Corporation	4,638	5,000	7.8%
Average					8.4%

* 2018 actual is pro forma for 2018 merger transactions

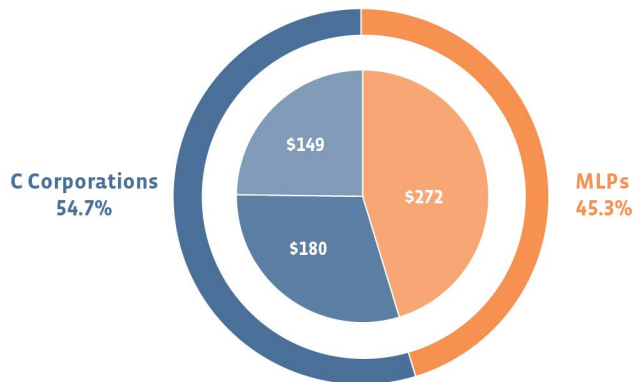
¹ 2018 actual includes \$97 million in non-repeating, related-party deficiency payments. Excluding the payments, 2019 growth would be 15.3%.

² 2018 actual excludes one-time gains on asset sales.

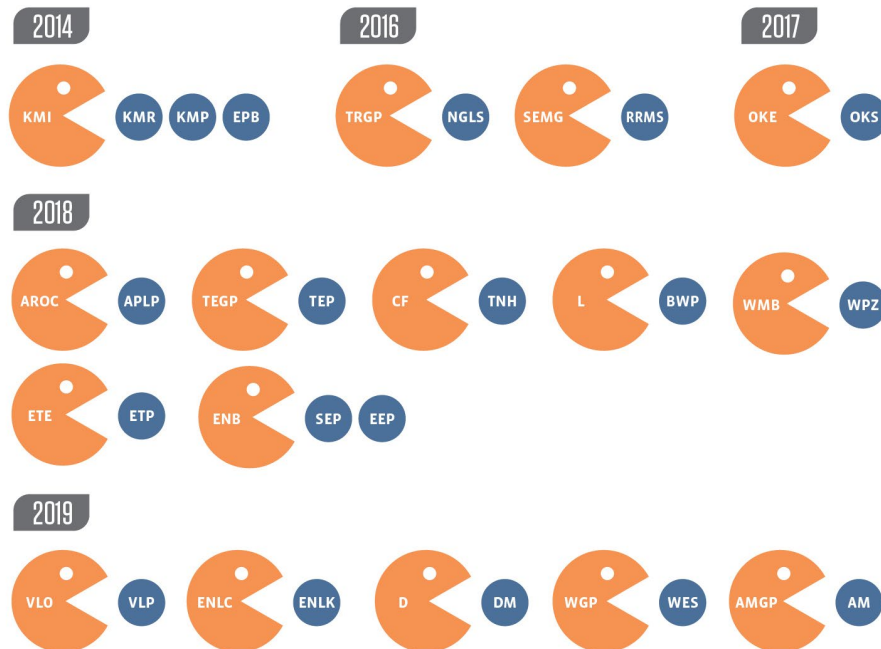
³ 2018 actual includes a \$68 MM contribution from divested assets, namely PAA's 30% interest in the BridgeTex Pipeline. Excluding the \$68 MM, 2019 growth would be 5.1%.

Source: Company reports as of March 12, 2019

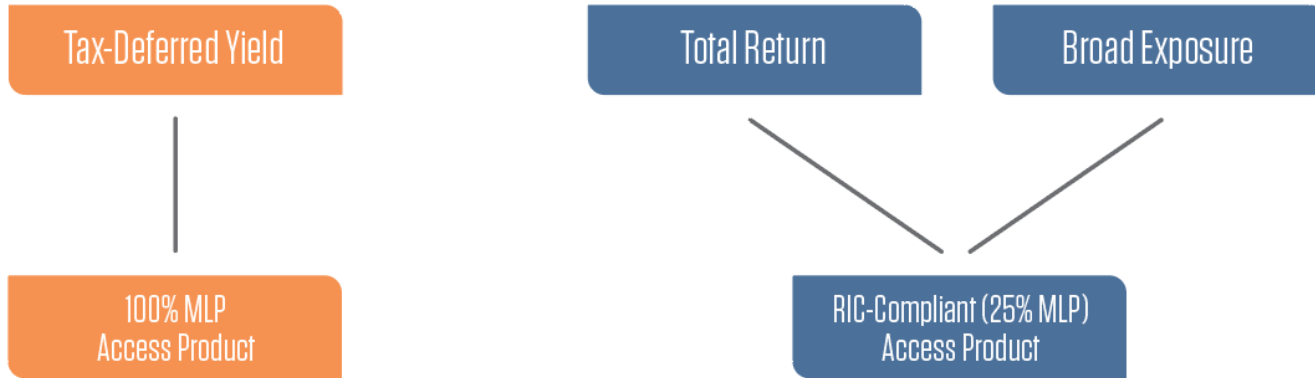
Current Issues // Midstream universe has evolved with consolidations



Company	Market Cap (billions)	Percentage of Market Cap	Examples
MLP	\$272	45.3%	EPD, MMP
US Energy Infrastructure Companies	\$180	29.9%	KMI, TRGP
Canadian Energy Infrastructure Companies	\$149	24.8%	TRP, ENB
Total	\$601		



Current Issues // Investors must choose what they want



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



Labor/materials availability



Tax law changes



Demand destruction



Execution



Environmental law changes



Broad equity market decline



Recontracting



Limited capital markets access

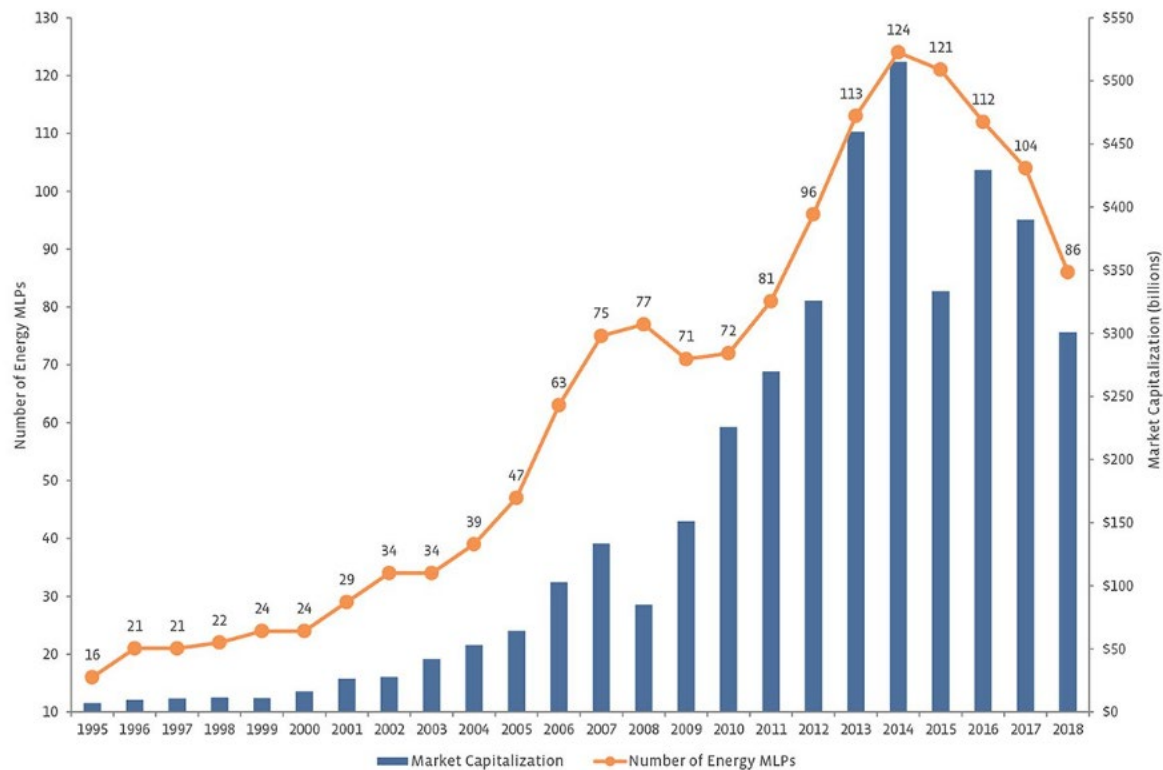


Perceived commodity price exposure



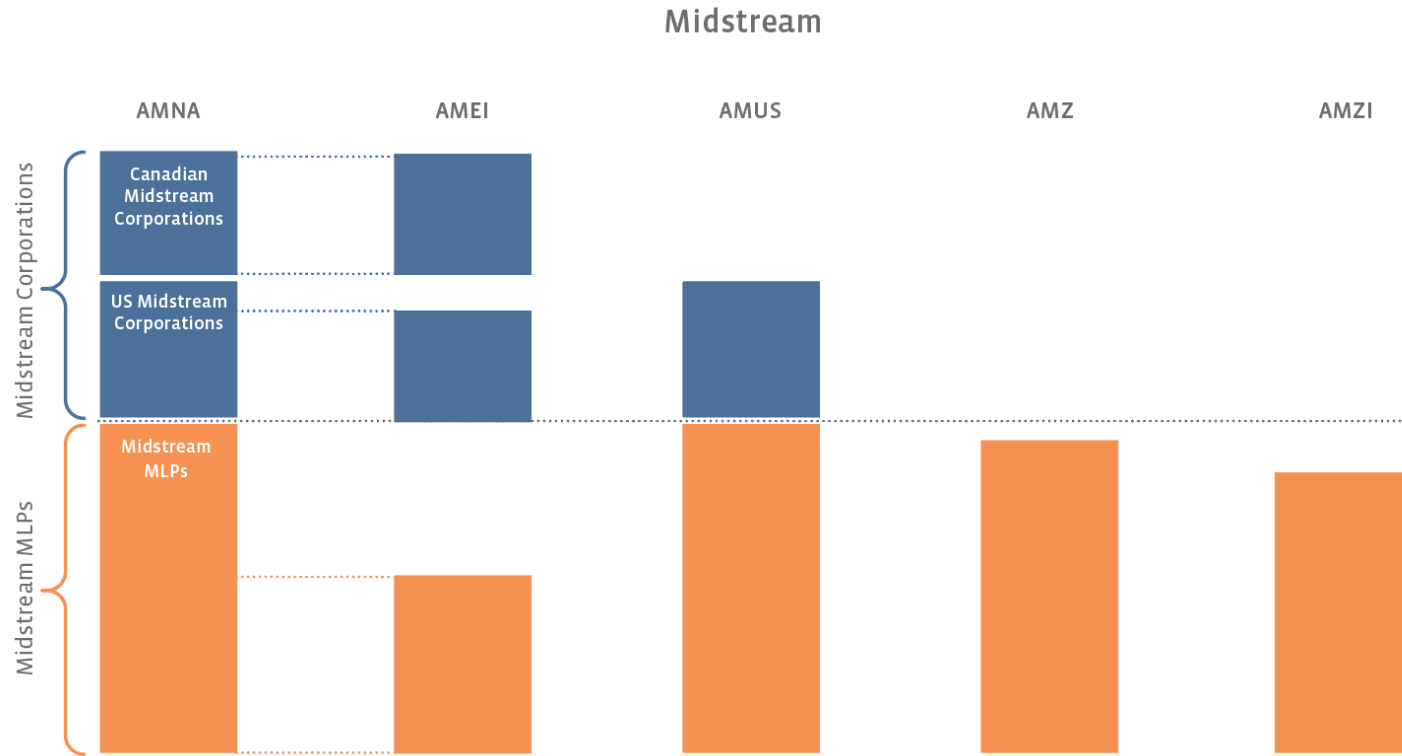
Appendix

Appendix // 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 commodities¹

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)

* As of March 29, 2019

Last AMZ methodology update: November 30, 2018

Last AMZI methodology update: February 28, 2019

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