

The Why and How of MLP Investing

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Current Reality and Session Objective

- Current Reality
 - MLPs may be suitable for a wide variety of client portfolios
 - Number of MLPs and MLP investment vehicles is constantly on the rise
 - Challenging to navigate the increasingly complicated landscape

- Session Objective
 - Provide a refresher on the value proposition of MLPs
 - Explain investment vehicle suitability given return and risk objectives

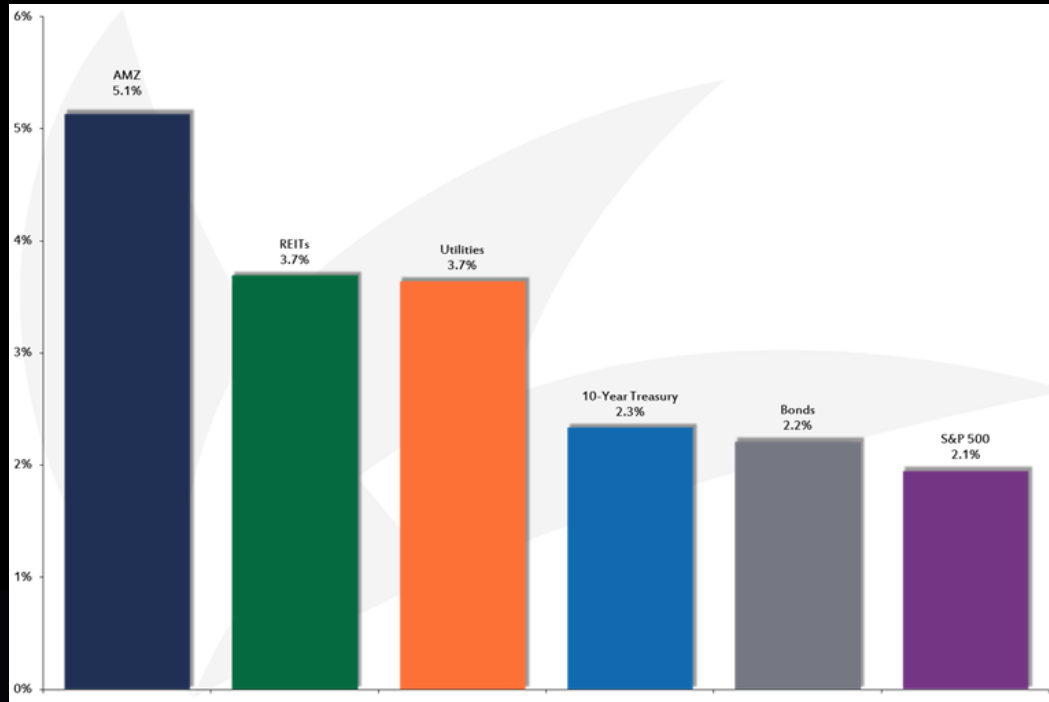
About Alerian

- Equip investors to make informed decisions about MLPs
- Launched the first real-time MLP index in 2006
- Over \$21 billion directly linked to the Alerian Index Series
- Exclusively or primarily referenced in MLP coverage by...
 - MLP management teams in their investor presentations
 - MLP boards of directors in their compensation analyses
 - Sell-side analysts in their research reports
 - Buy-side managers in their client letters and attribution analyses
 - National media in their MLP articles

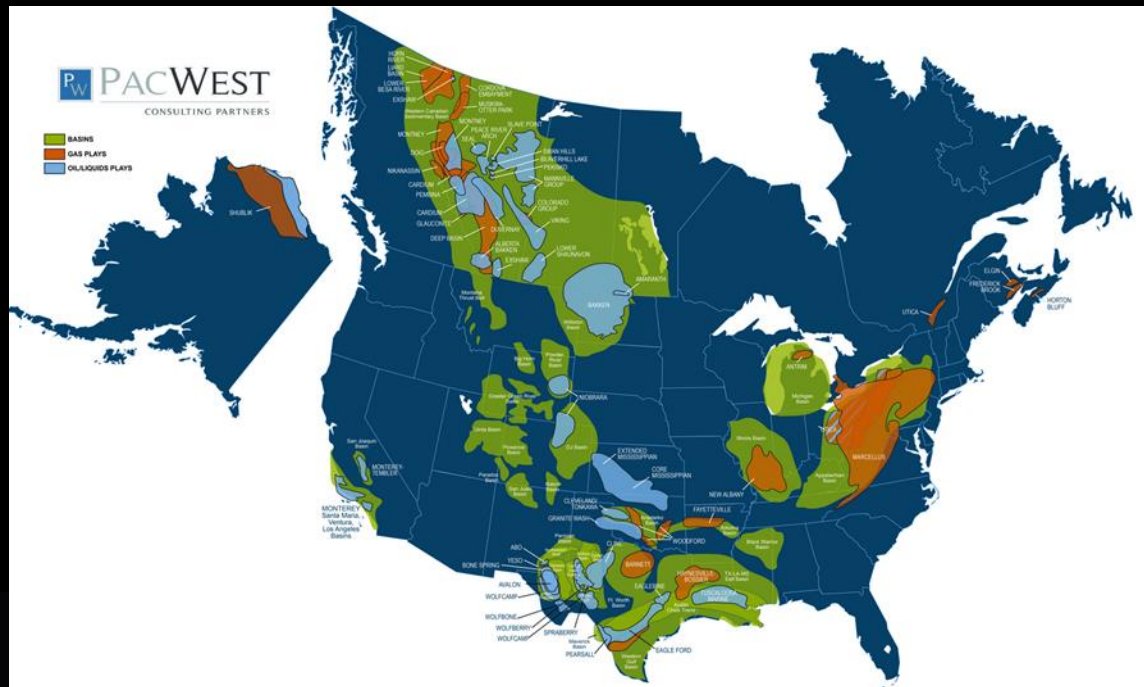
Why MLPs: Total Return

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 YTD	Annualized
REITs 38.1%	Commodities 25.6%	REITs 35.6%	Commodities 32.7%	Bonds 5.2%	MLPs 76.4%	MLPs 35.9%	Utilities 19.9%	REITs 18.0%	Small Cap 38.8%	MLPs 21.4%	MLPs 17.0%
Utilities 24.3%	Utilities 16.8%	Non-US 26.3%	Utilities 19.4%	Utilities -29.0%	Non-US 31.8%	Small Cap 26.9%	MLPs 13.9%	Non-US 17.3%	S&P 500 32.4%	REITs 21.3%	Utilities 9.8%
Non-US 20.2%	REITs 13.7%	MLPs 26.1%	MLPs 12.7%	Small Cap -33.8%	REITs 27.6%	REITs 26.7%	REITs 9.4%	Small Cap 16.3%	MLPs 27.6%	Utilities 16.1%	Small Cap 9.4%
Small Cap 18.3%	Non-US 13.5%	Utilities 21%	Non-US 11.2%	MLPs -36.9%	Small Cap 27.2%	S&P 500 15.1%	Bonds 7.8%	S&P 500 16.0%	Non-US 22.8%	S&P 500 9.9%	REITs 9.0%
Commodities 17.3%	MLPs 6.3%	Small Cap 18.4%	Bonds 7.0%	S&P 500 -37.0%	S&P 500 26.5%	Commodities 9.0%	S&P 500 2.1%	MLPs 4.8%	Utilities 13.2%	Bonds 4.8%	S&P 500 8.4%
MLPs 16.7%	S&P 500 4.9%	S&P 500 15.8%	S&P 500 5.5%	REITs -37.3%	Commodities 13.5%	Non-US 7.8%	Commodities -1.2%	Bonds 4.2%	REITs -0.5%	Non-US 2.6%	Non-US 7.0%
S&P 500 10.9%	Small Cap 4.6%	Bonds 4.3%	Small Cap -1.6%	Non-US -43.4%	Utilities 11.9%	Bonds 6.5%	Small Cap -4.2%	Utilities 1.3%	Commodities -1.2%	Small Cap 1.8%	Bonds 4.7%
Bonds 4.3%	Bonds 2.4%	Commodities -15.1%	REITs -16.3%	Commodities -46.5%	Bonds 5.9%	Utilities 5.5%	Non-US -12.1%	Commodities 0.1%	Bonds -2.0%	Commodities -1.5%	Commodities -0.9%

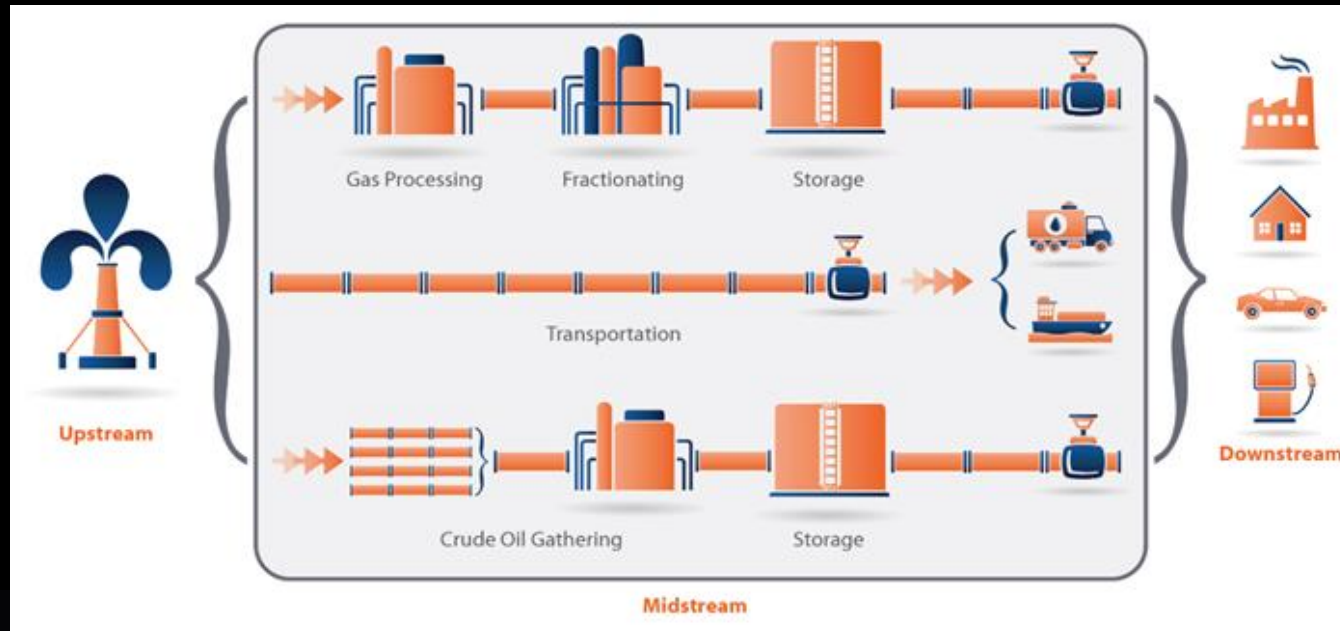
Why MLPs: Income



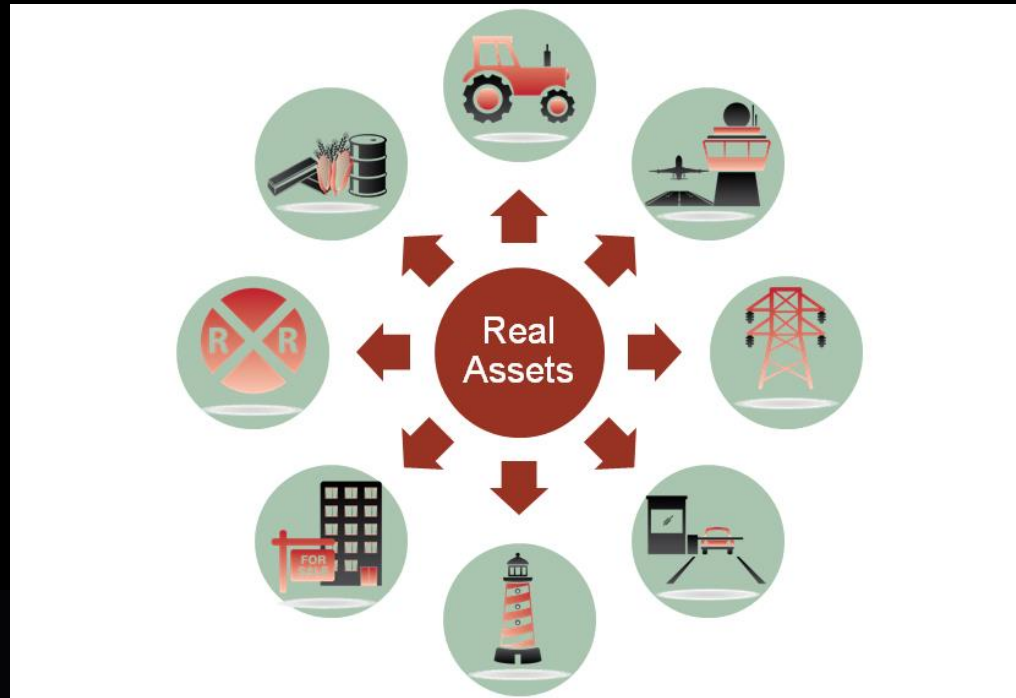
Why MLPs: Energy Renaissance



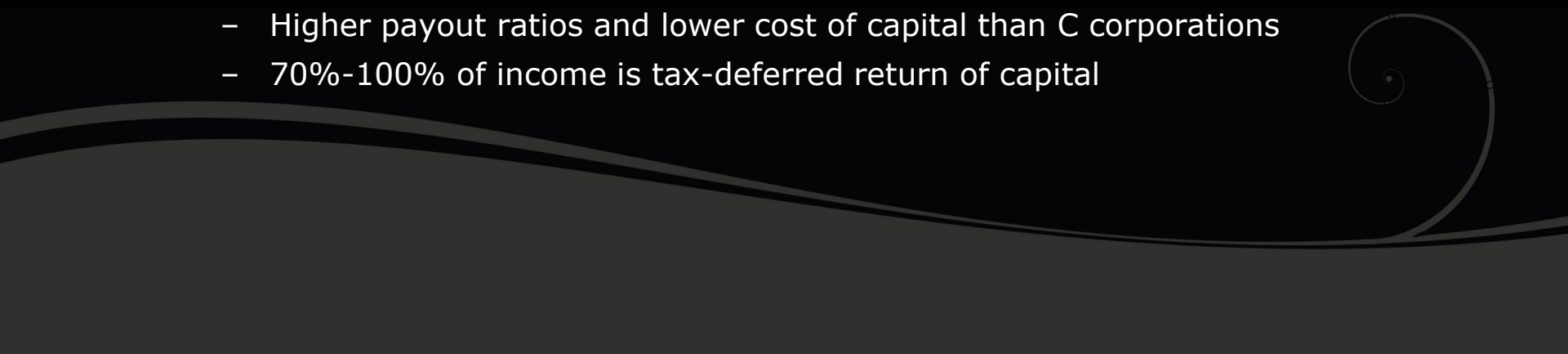
Why MLPs: Energy Infrastructure



Why MLPs: Real Assets




Why MLPs: In Words

- Growth of US energy infrastructure
 - MLPs operate transportation, processing, and storage assets
 - Stable and growing cash flows
 - Energy infrastructure business models resemble that of toll roads
 - Average annual distribution growth of 7% over the last 10 years
 - Tax efficiency
 - No entity-level taxation if 90% of income is from qualifying sources
 - Higher payout ratios and lower cost of capital than C corporations
 - 70%-100% of income is tax-deferred return of capital
- 

Investment Options

Investment Type	Direct	Separately Managed Account	Exchange-Traded Note	Exchange-Traded Fund		Open-End Mutual Fund		Closed-End Fund	
				100% MLP	<25% MLP	100% MLP	<25% MLP	100% MLP	<25% MLP
Tax Classification	Partnership	Partnership	Forward Contract	Taxable "C" Corp	Non-Taxable "M" Corp	Taxable "C" Corp	Non-Taxable "M" Corp	Taxable "C" Corp	Non-Taxable "M" Corp
Return of Capital Flow-Through¹	70%-100%	70%-100%	No	70%-100%	Varies ²	70%-100%	Varies ²	70%-100%	Varies ²
Tax Treatment	0%-30% Ordinary Income	0%-30% Ordinary Income	100% Ordinary Income	0%-30% Qualified Dividend	Varies ²	0%-30% Qualified Dividend	Varies ²	0%-30% Qualified Dividend	Varies ²
Tax Form	Form K-1	Form K-1	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099
IRA/401k Eligible	Taxable Beyond \$1,000 in UBTI ³	Taxable Beyond \$1,000 in UBTI ³	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Leverage	No	No	No ⁴	No	No	No ⁵	No	Up to 33%	Up to 33%
Liquidity	Intraday	Varies	Intraday	Intraday	Intraday	Daily	Daily	Intraday	Intraday
First Fund Launched	N/A	N/A	Jul 2007	Aug 2010	Jun 2012	Mar 2010	Sep 2010	Feb 2004	Jun 2005
Total Funds	N/A	N/A	16	6	3	14	12	22	10
AUM (\$ MM)	N/A	N/A	\$12.1B	\$10.1B	\$1.1B	\$18.5B	\$4.1B	\$19.4B	\$4.8B

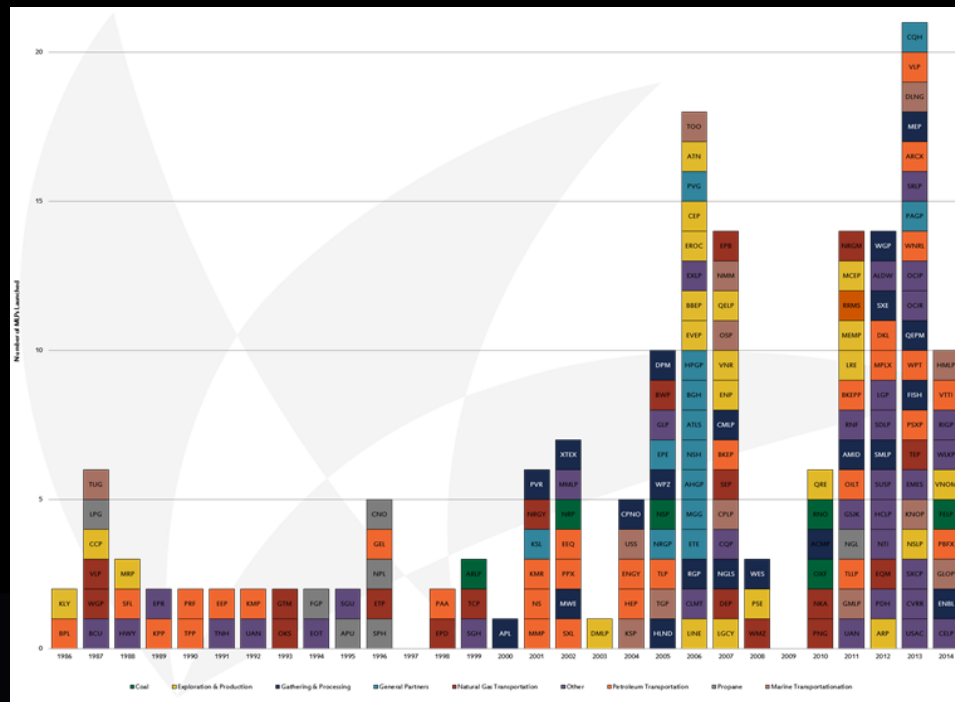
Direct Investment

- Tax Classification: Partnership
 - Initial Return of Capital (ROC): 70%-100%
 - Non-ROC Tax Treatment: 0%-30% Ordinary Income
 - Tax Form: Schedule K-1
 - IRA/401(k) Eligible: Taxable Beyond \$1,000 of UBTI
 - Leverage: No
 - Liquidity: Intraday
- 

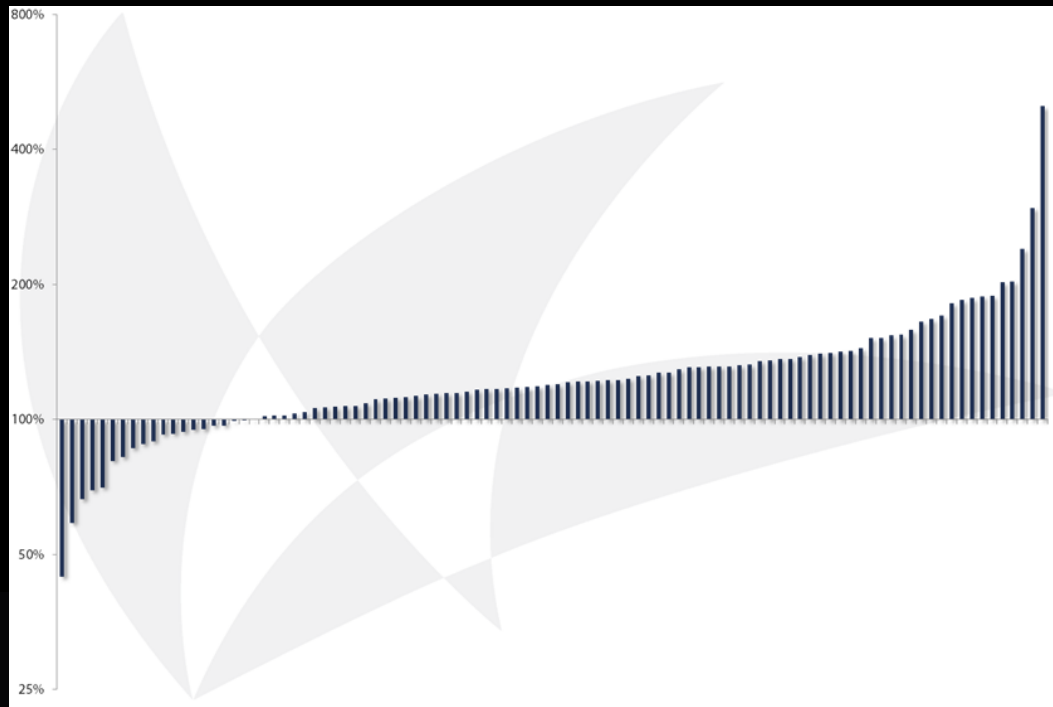
Direct Investment

- Suitability
 - US taxable investor
 - Familiar with K-1s and state tax filings
 - Comfortable building and managing a portfolio

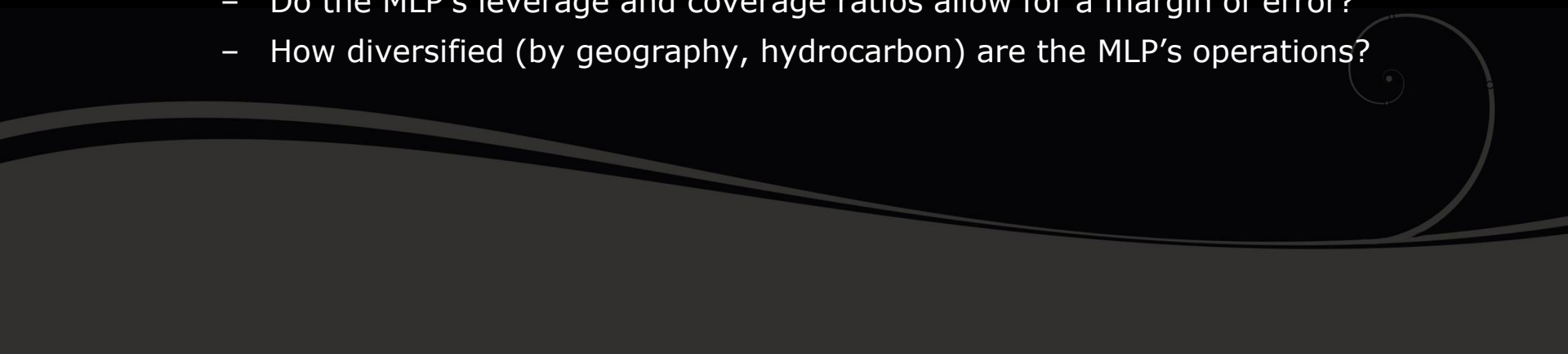
History of MLP IPOs




TTM Return Dispersion



Building Your Own Portfolio

- Management
 - Do the CEO and COO have a long-term view around their business?
 - Do executives admit when they made mistakes in judgment?
 - Do you hold the same equity interest as management and/or the sponsor?
 - Growth
 - Is the MLP's growth driven by organic projects or acquisitions?
 - How competitive is the MLP's cost of capital (IDR tax, credit ratings)?
 - Risks
 - Do the MLP's leverage and coverage ratios allow for a margin of error?
 - How diversified (by geography, hydrocarbon) are the MLP's operations?
- 

Separately Managed Account (SMA)

- Tax Classification: Partnership
 - Initial Return of Capital (ROC): 70%-100%
 - Non-ROC Tax Treatment: 0%-30% Ordinary Income
 - Tax Form: Schedule K-1
 - IRA/401(k) Eligible: Taxable Beyond \$1,000 of UBTI
 - Leverage: No
 - Liquidity: Varies
- 

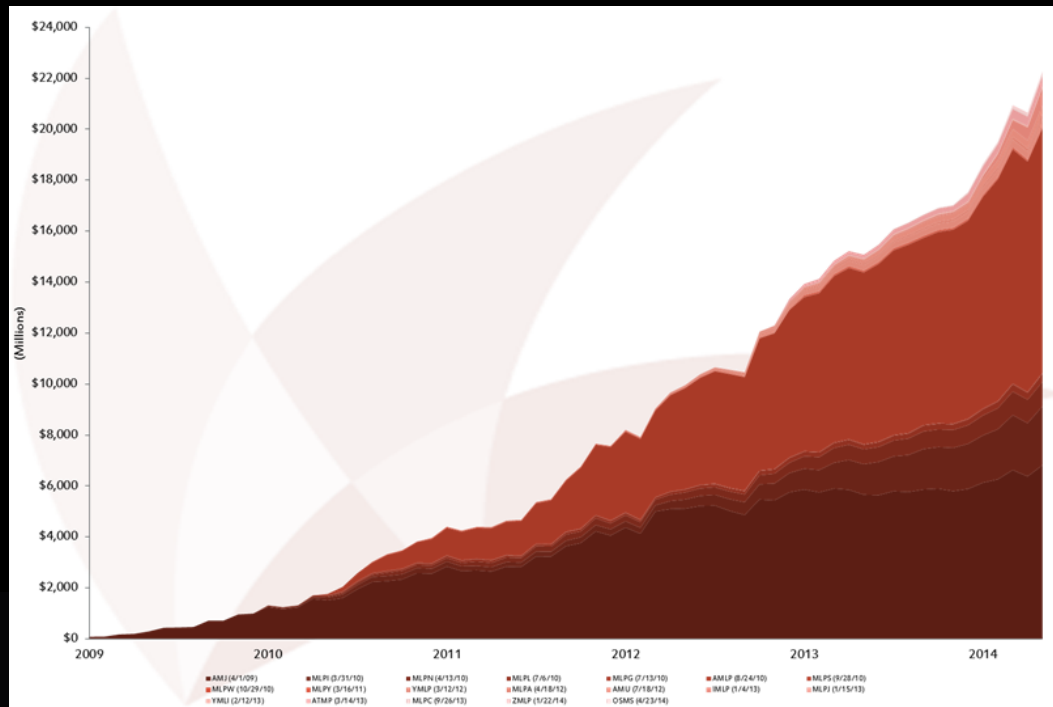
Separately Managed Account (SMA)

- Suitability
 - Large, US taxable investor
 - Not familiar with K-1s and state tax filings
 - Not comfortable building and managing a portfolio
 - Comfortable with potential liquidity constraints
 - Willing to pay fees for back office and portfolio management

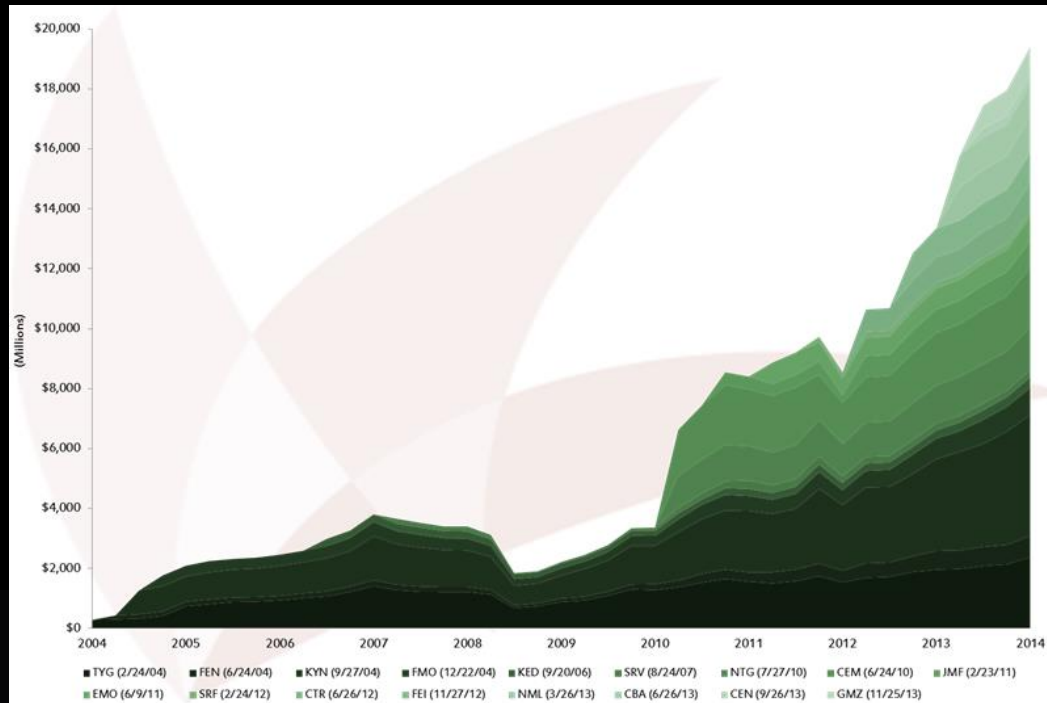
Access Product Launches




Exchange-Traded Product AUM Growth



C Corp Closed-End Fund AUM Growth




Exchange-Traded Note (ETN)

- Tax Classification: Forward Contract
 - Return of Capital (ROC): 0%
 - Non-ROC Tax Treatment: 100% Ordinary Income
 - Tax Form: Form 1099
 - IRA/401(k) Eligible: Yes with Section 1260 Ambiguity
 - Leverage: No (Except MLPL)
 - Liquidity: Intraday
 - First Note: Jul 2007
 - Current Market: 16 Notes, \$12.1 Billion
- 

Exchange-Traded Note (ETN)

- Suitability
 - Tax-advantaged investor
 - Taxable, total return investor
 - Preference toward or mandate favoring lower expense ratios
 - Preference toward minimal tracking error
 - Comfortable with Section 1260 ambiguity
 - Comfortable with financial institution credit risk


C Corporation 1940 Act Fund

- Tax Classification: Taxable C Corporation
 - Initial Return of Capital (ROC): 70%-100%
 - Non-ROC Tax Treatment: 0%-30% Qualified Dividend
 - Tax Form: Form 1099
 - IRA/401(k) Eligible: Yes
 - Leverage: No (ETF), No (Except MLPLX) (OEF), Up to 33% (CEF)
 - Liquidity: Intraday (ETF), Daily (OEF), Intraday (CEF)
 - First Fund: Aug 2010 (ETF), Mar 2010 (OEF), Feb 2004 (CEF)
 - Current Market: 42 Funds, \$48.0 Billion
- 

C Corporation 1940 Act Fund

- Suitability
 - Taxable investor seeking after-tax yield
 - Low volatility investor
 - Preference toward ownership of underlying MLPs
 - Understanding of deferred tax liability (DTL) impact on fund

“RIC-Compliant” 1940 Act Fund

- Tax Classification: Non-Taxable M Corporation
 - Initial Return of Capital (ROC): Up to 25%
 - Non-ROC Tax Treatment: Varies
 - Tax Form: Form 1099
 - IRA/401(k) Eligible: Yes
 - Leverage: No (ETF), No (OEF), Up to 33% (CEF)
 - Liquidity: Intraday (ETF), Daily (OEF), Intraday (CEF)
 - First Fund: Jun 2012 (ETF), Sep 2010 (OEF), Jun 2004 (CEF)
 - Current Market: 25 Funds, \$10.0 Billion
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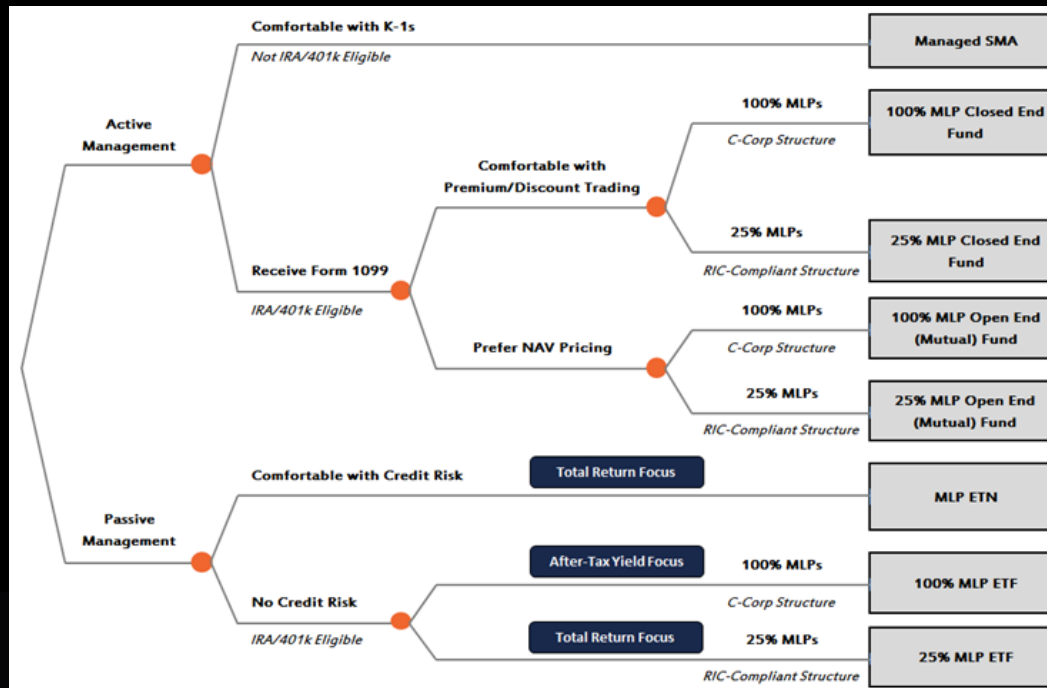
“RIC-Compliant” 1940 Act Fund

- Suitability
 - Tax-advantaged investor
 - Taxable, total return investor
 - Preference toward ownership of underlying MLPs
 - Preference toward minimal tracking error
 - Comfortable with 25% cap on MLP holdings
 - Understanding of fund composition for the remaining 75% of assets

“RIC-Compliant” 1940 Act Fund

- Other Holdings
 - MLP Exchange-Traded Notes
 - MLP Affiliates
 - Power: Renewables, Independent Power Producers, Utilities
 - Shipping: Dry Bulk, Oil Tankers, Liquefied Natural Gas
 - Energy: Exploration & Production, Offshore Drilling, Refining

Decision Tree



Other Considerations

- 79% of MLPs have an adjusted market cap of less than \$3 billion
 - 66% of MLPs have an adjusted market cap of less than \$2 billion
- 70% of MLPs trade less than \$10 million per day
 - 54% of MLPs trade less than \$5 million per day
- Tax character of fund income
- Apples to apples benchmarking
- DTLs, closet indexing, and turnover
- Fee ranges
 - Management fees: 0.45%-2.50%
 - All-in fees excluding taxes: 0.45%-5.30%

Appendix: About the Speaker

Kenny Feng, CFA is the President and CEO at Alerian, which equips investors to make informed decisions about Master Limited Partnerships (MLPs) and energy infrastructure. Over \$21 billion is directly tied to the Alerian Index Series, including the flagship Alerian MLP Index (AMZ). Mr. Feng is a former Managing Director and Portfolio Manager at SteelPath Capital Management LLC, a Dallas-based MLP investment manager. Prior to his experience at SteelPath, Mr. Feng covered MLPs, Electric and Gas Utilities, and Diversified Gas Companies at Goldman Sachs & Co in the firm's Global Investment Research Division. Mr. Feng graduated summa cum laude with a Bachelor of Science in Economics from the Wharton School and a Bachelor of Arts in International Studies from the University of Pennsylvania.



Appendix: Contact Us

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