

Guide to MLP Investing

Global Trend Events
Las Vegas



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About Alerian



- ▶ Real-time MLP Index
- ▶ MLP ETN
- ▶ MLP ETF

\$13 billion in index-linked products

85% market share for passive exchange traded products

11

product
partners



REAL-TIME MLP & ENERGY INFRASTRUCTURE INDICES

AMZ / AMZI / AMEI / ANGI / AMZE



About Alerian // Competitive strengths



Market-leading Brand



Quality Data



Thought Leader



Niche & Independent



Innovative



Service Focused

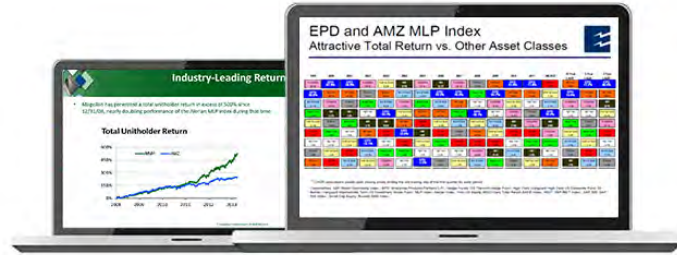


About Alerian // Alerian index series

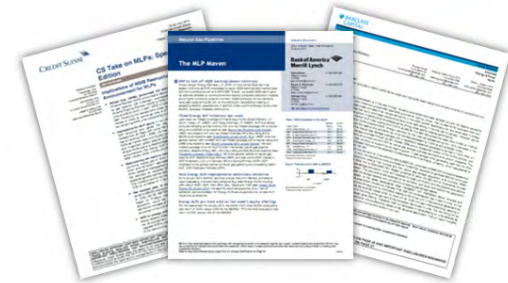
Ticker	Name	Constituents	Tracking	Methodology	Launch
AMZ	Alerian MLP Index	50 MLPs	Energy MLPs	Float-adjusted, Capitalization-weighted	June 2006
AMZI	Alerian MLP Infrastructure Index	MLPs	Infrastructure MLPs	Capped, Float-adjusted, Capitalization-weighted	March 2008
ANGI	Alerian Natural Gas MLP Index	20 MLPs	Natural Gas MLPs	Equal-weighted	January 2010
ALCI	Alerian Large Cap MLP Index	15 MLPs	Large Cap MLPs	Equal-weighted	March 2010
AMZE	Alerian MLP Equal Weight Index	50 MLPs	Energy MLPs	Equal-weighted	April 2013
AMEI	Alerian Energy Infrastructure Index	MLPs and Corporations	Energy Infrastructure	Tier-weighted	April 2013



About Alerian // The MLP standard



MLP Management Teams



Research Analysts



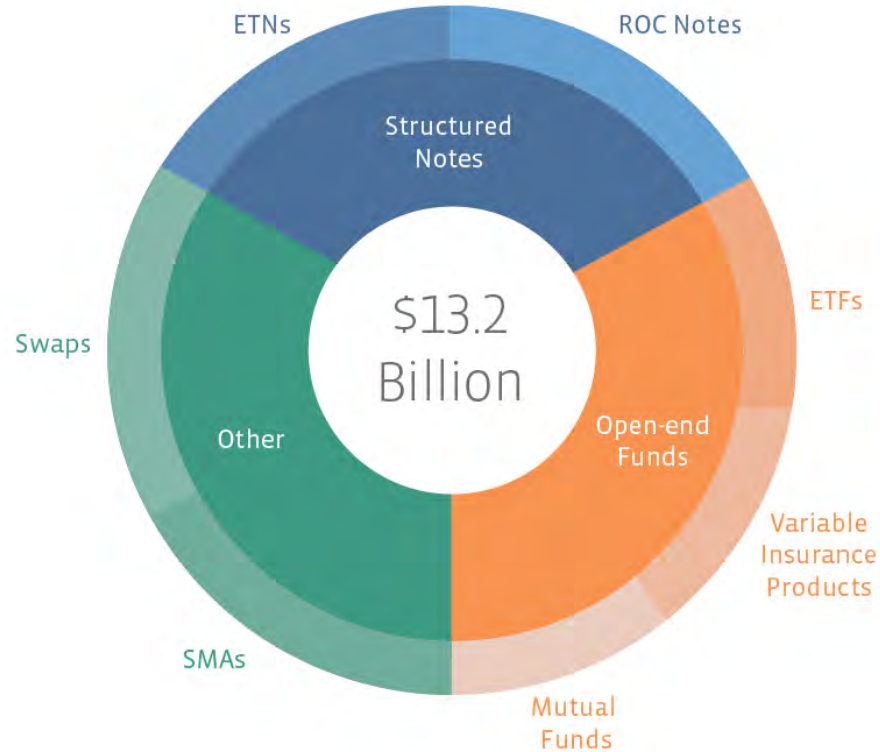
Television



Print



About Alerian // Leveling the playing field for MLP investing





About Alerian // Diversified suite of index-linked products

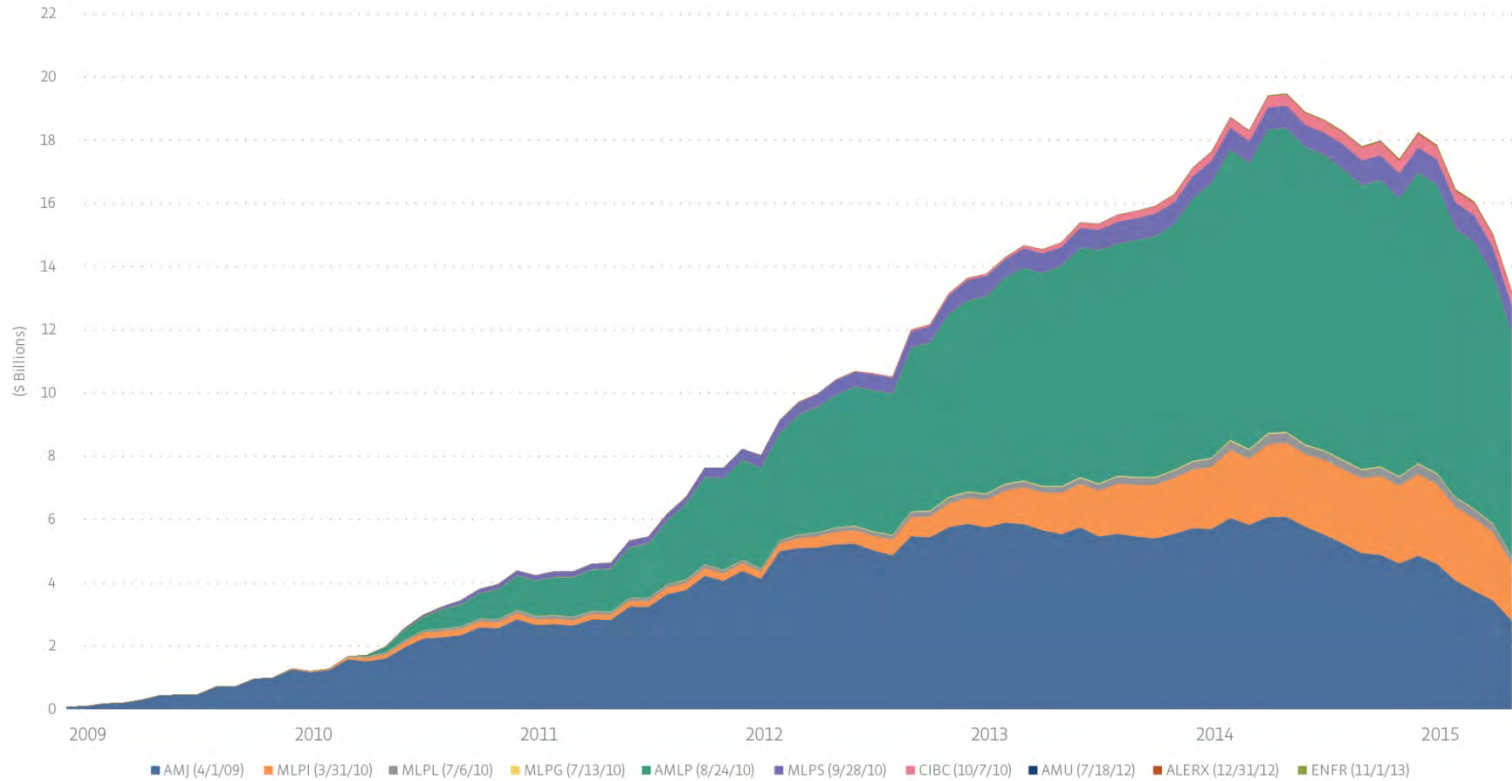
Ticker	Product Type	Product Name	Licensee	Inception Date	Underlying Index	Annual Fee	Total Assets (mil)
AMLP	ETF	Alerian MLP ETF	ALPS	August 24, 2010	AMZI	0.85%	\$7,037
ENFR	ETF	Alerian Energy Infrastructure ETF	ALPS	November 1, 2013	AMEI	0.65%	\$12
AMJ	ETN	JPMorgan Alerian MLP Index ETN	JPMorgan	April 1, 2009	AMZ	0.85%	\$2,797
AMU	ETN	ETRACS Alerian MLP Index ETN	UBS	July 17, 2012	AMZ	0.80%	\$406
MLPI	ETN	ETRACS Alerian MLP Infrastructure Index ETN	UBS	March 31, 2010	AMZI	0.85%	\$1,823
MLPL	ETN	ETRACS 2x Leveraged Long Alerian MLP Infrastructure Index ETN	UBS	July 6, 2010	AMZI	0.85%	\$218
MLPG	ETN	ETRACS Alerian Natural Gas MLP Index ETN	UBS	July 13, 2010	ANGI	0.85%	\$20
MLPS	ETN	ETRACS 1x Monthly Short Alerian MLP Infrastructure Index ETN	UBS	September 28, 2010	AMZI	0.85%	\$6
Series 1-31	ROC Note	CIBC Alerian MLP Infrastructure Index-Linked ROC Notes	CIBC	October 7, 2010	AMZI	1.25%	\$861
ALERX	Mutual Fund	ALPS Alerian MLP Infrastructure Index Fund	ALPS	December 31, 2012	AMZI	1.25%	\$33
ALEFX	VIT	ALPS Alerian Energy Infrastructure Portfolio	ALPS	April 30, 2013	AMEI	0.80%	\$61

Total Alerian-linked fund and note AUM

\$13,274 mil



About Alerian // Benefits from first-mover advantage





Overview of MLPs



Overview of MLPs // Why MLPs?



Stable Cash Flows

Fee-based toll-road (Price x Volume) business models that benefit from inelastic energy demand



Growing Distributions

Interstate liquid tariffs have built-in PPI “plus” revenue indexing



Energy Infrastructure

Increasing need for pipeline, storage, and processing assets to serve growing domestic production

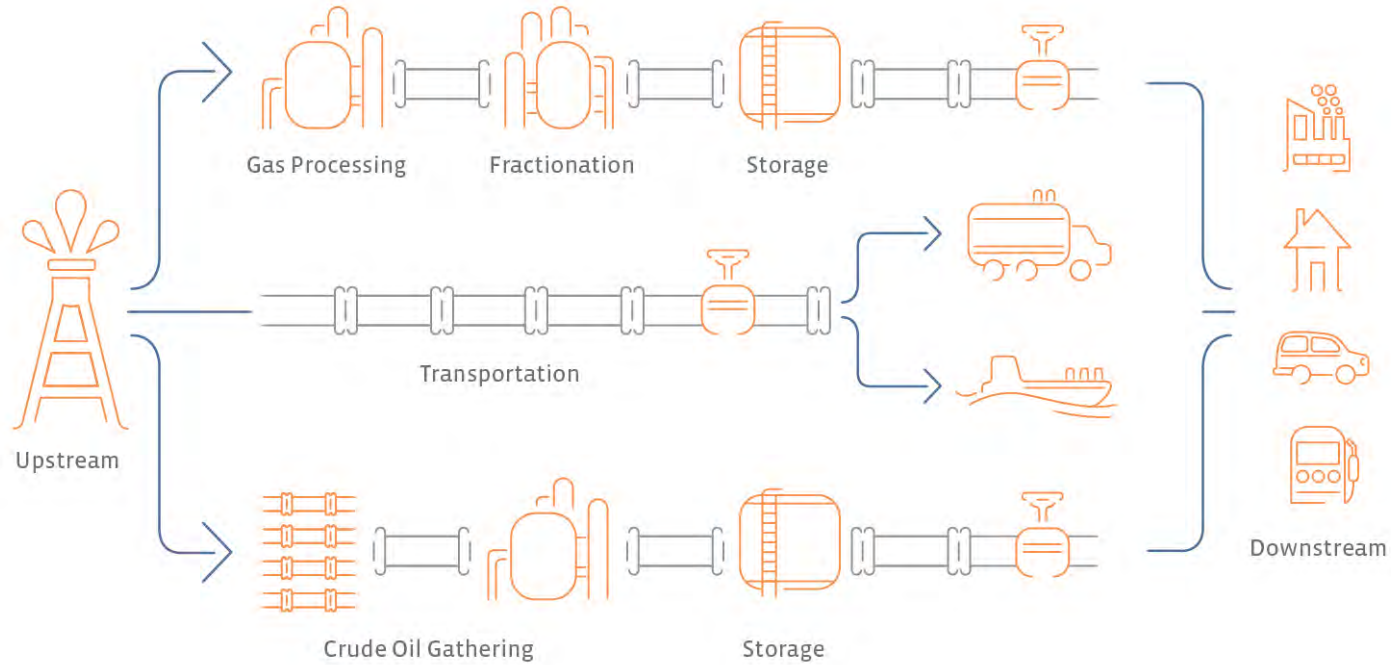


Diversification

Low correlation to broader markets, commodity prices, and interest rates over the long-term



Overview of MLPs // What is an energy infrastructure asset?





The Tri-State Tollway charges the same toll for an Aston Martin as it does for a Honda Civic



Pipeline and storage businesses charge the same price to move or store a \$30 barrel as they do a \$150 barrel of oil



▶ 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

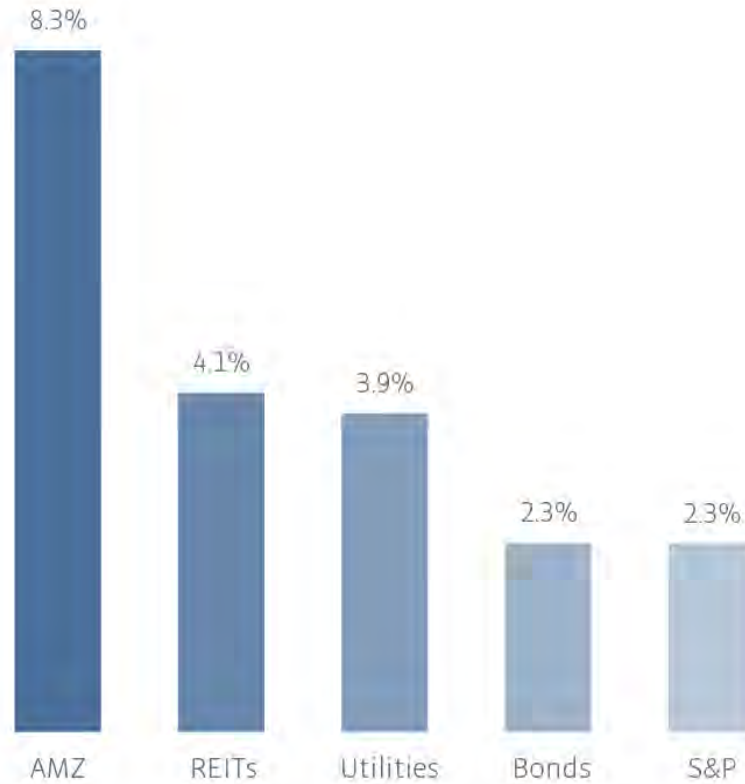
- Subject to tax if unrelated business taxable income (UBTI) exceeds \$1,000
- UBTI based on partnership income, not cash distributions



**MLP
Performance**

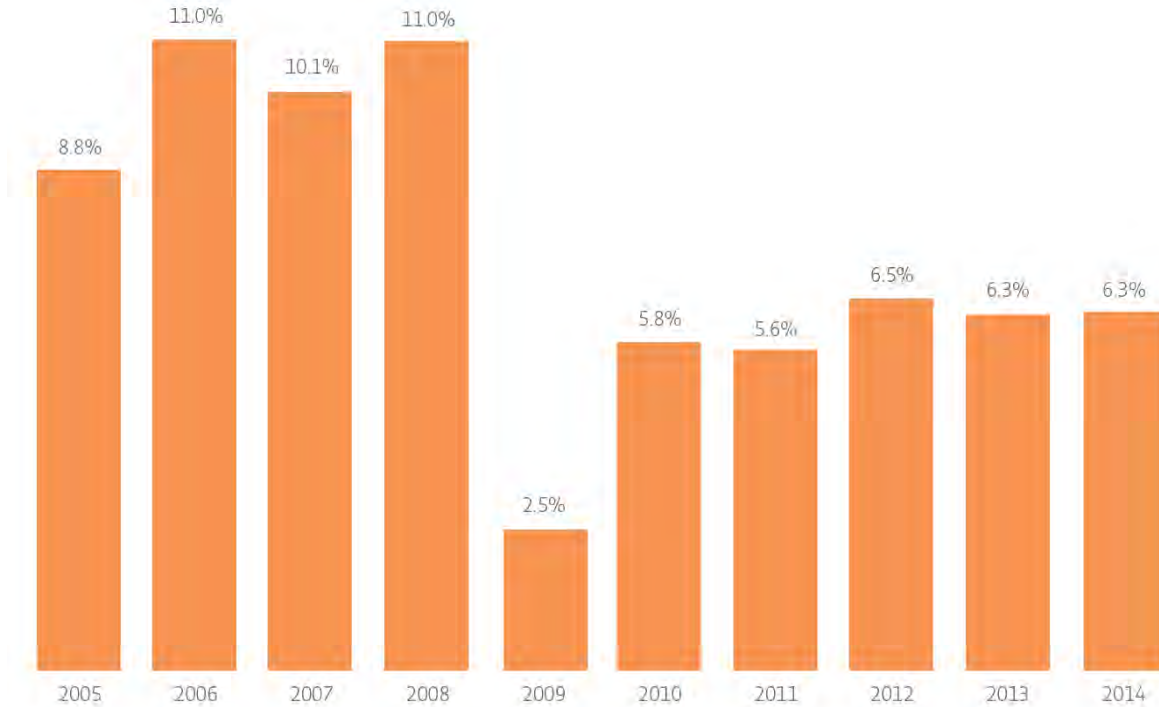


MLP Performance // MLPs offer an attractive relative yield





MLP Performance // Distribution growth drives returns



+7.4%

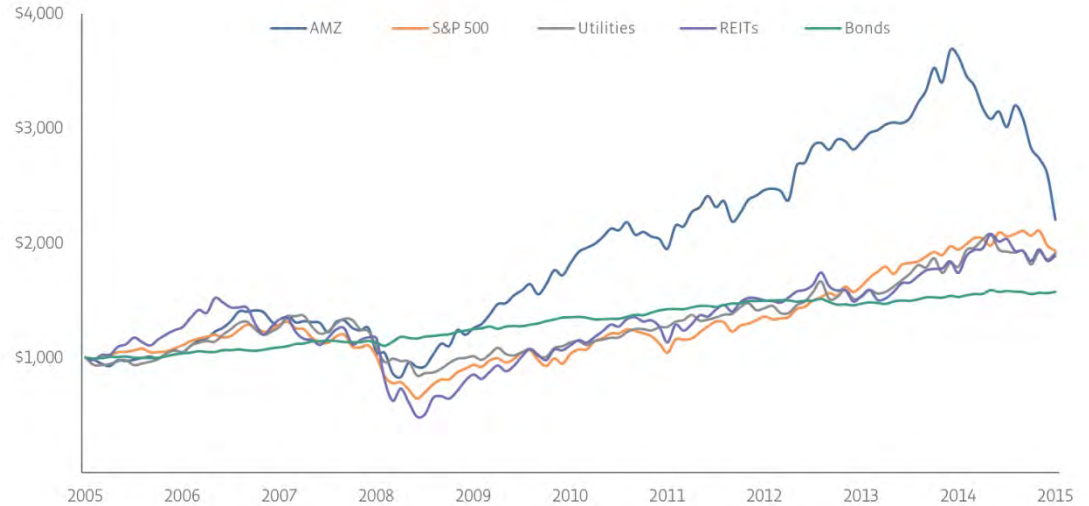
10-year
Average
Annual
Distribution
Growth



MLP Performance // MLPs historically outperform other asset classes

	YTD	1-yr	3-yr	5-yr	10-yr
AMZ	-30.7%	-39.2%	-3.6%	3.9%	8.2%
S&P 500	-5.3%	-0.6%	13.3%	13.3%	6.8%
Utilities	-5.9%	6.6%	10.1%	11.0%	6.7%
REITs	-3.3%	8.6%	8.0%	11.2%	6.6%
Bonds	1.1%	2.9%	1.7%	3.1%	4.6%

Annualized





MLP Performance // The periodic table of performance

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 YTD	Annualized
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%	Utilities 29.0%	Bonds 1.1%	MLPs 8.2%
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 28.7%	REITs -3.3%	S&P 500 6.8%
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%	S&P 500 13.7%	Non-US -5.2%	Utilities 6.7%
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%	Bonds 6.0%	S&P 500 -5.2%	REITs 6.6%
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%	Small Cap 4.9%	Utilities -5.8%	Small Cap 6.5%
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%	MLPs 4.8%	Small Cap -7.7%	Bonds 4.6%
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%	Non-US -4.9%	Commodities -19.4%	Non-US 3.0%
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 -33.0%	MLPs -30.6%	Commodities -10%



Energy Renaissance

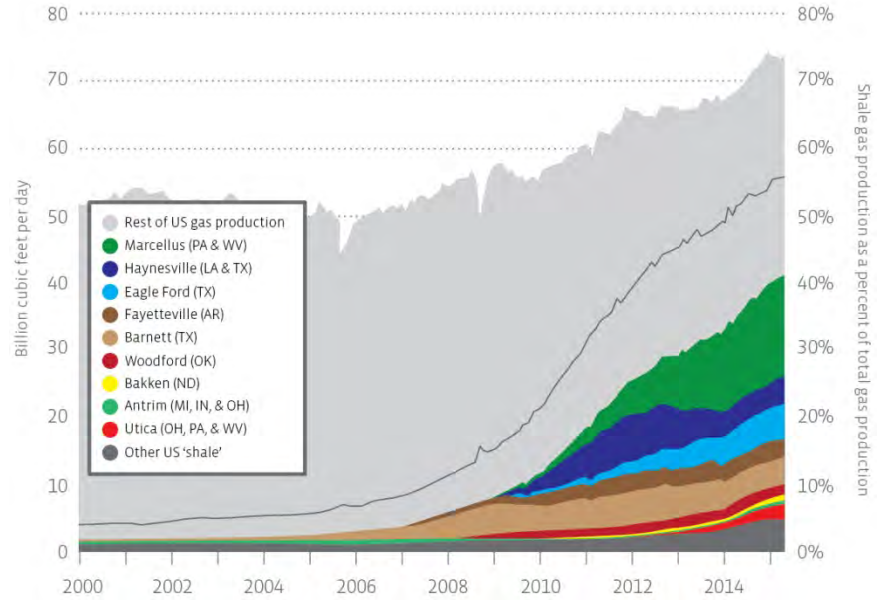


Energy Renaissance // Resurgence in oil and gas production

U.S. Field Production of Crude Oil



U.S. Production of Natural Gas



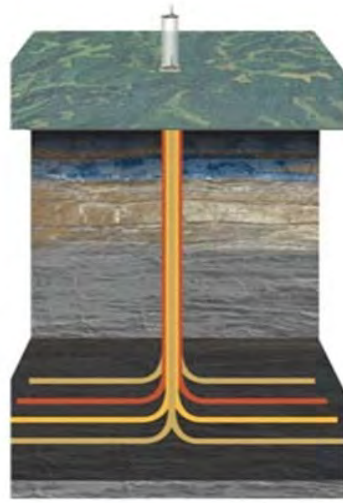


Then

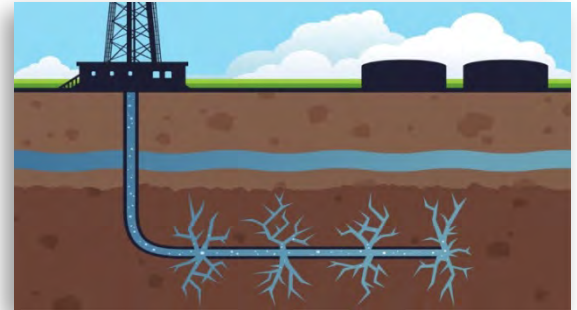


Vertical Drilling

Now



Horizontal Drilling



Hydraulic Fracturing



Energy Renaissance // Shift in energy uses drive opportunities



The 19th century was powered by wood.

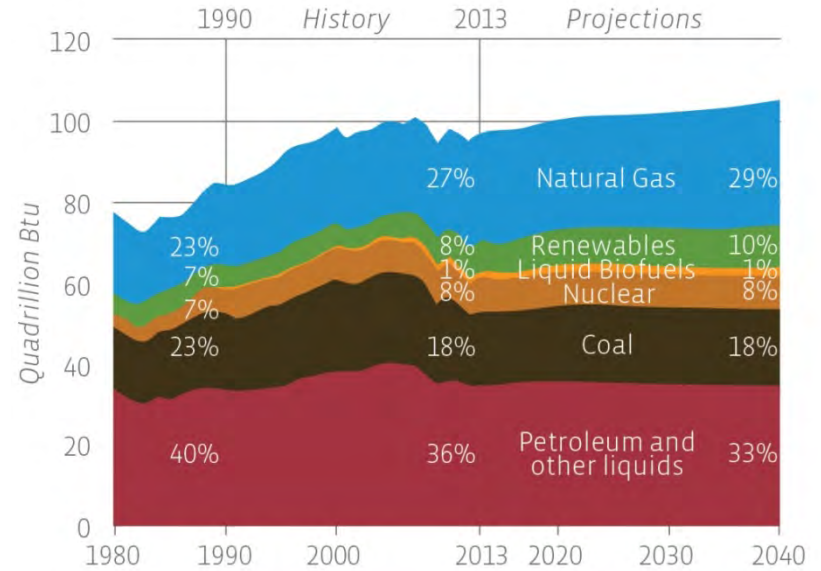


The 20th century was powered by coal.



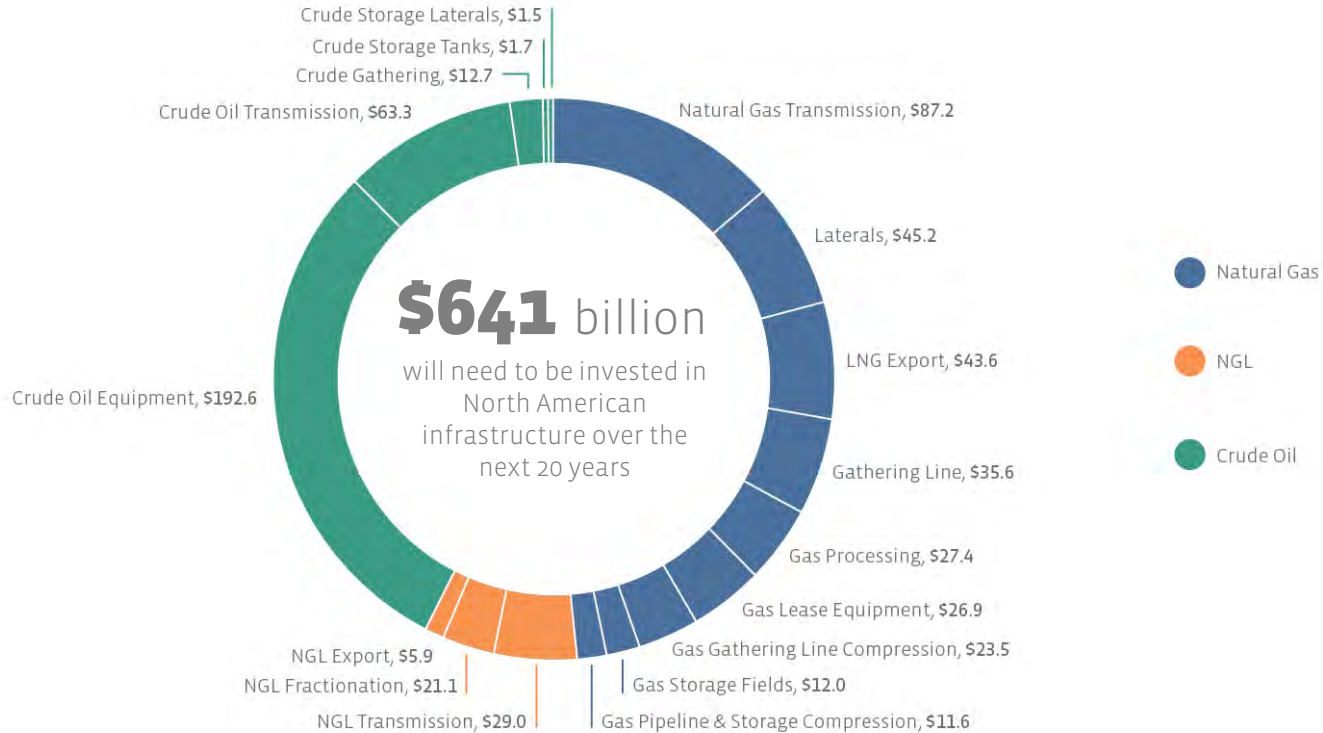
The 21st century will be powered by natural gas.

Primary Energy Consumption by Fuel





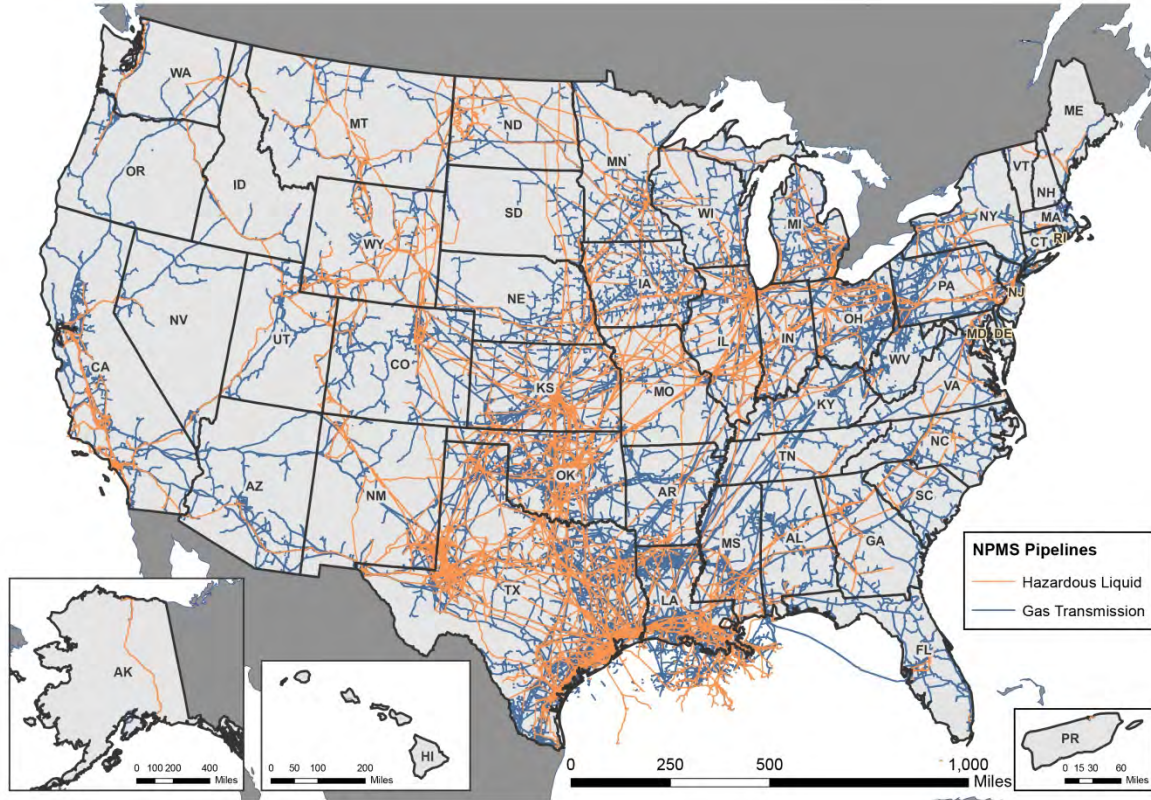
Energy Renaissance // Infrastructure investment vital to energy independence



Note: All values are in billions
Source: INGAA as of June 28, 2014



Energy Renaissance // Spaghetti bowl of pipelines






**MLP
Investment
Options**



MLP Investing // Choosing an individual MLP

- 
- C** **Cost of Capital:** No incentive distribution rights (IDRs) removes acquisition conflict of interest
 - L** **Low Leverage:** Allows for margin of error
 - I** **Internal Growth:** Generally higher internal rate of return (IRR) than acquisitions
 - M** **Management:** Long-term macro opinions, admits when wrong, deep bench
 - B** **Basin Diversity:** Natural hedge to ever-changing supply/demand flows
 - E** **Execution:** Opportunities are only as good as the ability to take advantage of them
 - R** **Real Coverage:** Should stay above 1.0x for one standard deviation movements in risk factors
 - S** **Size:** Capital markets access, investment grade, trading liquidity, broader investor group



MLP Investing // Who should invest directly in MLPs?

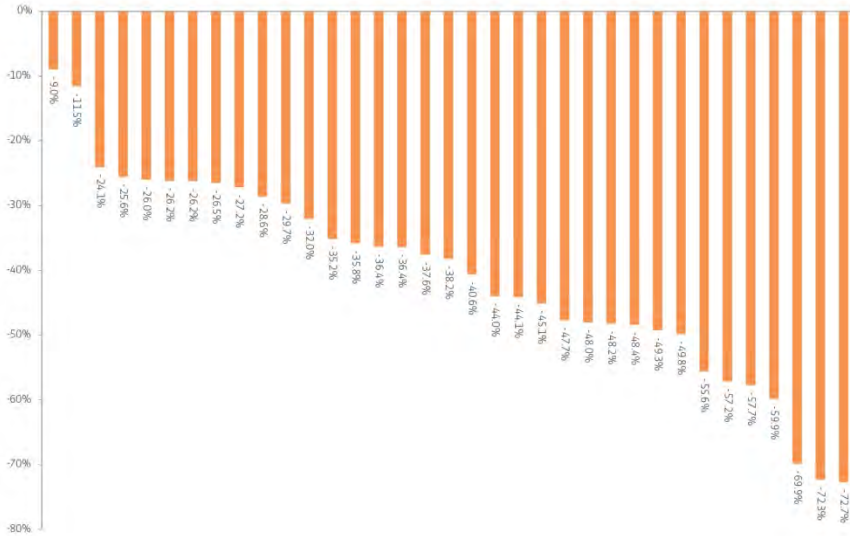


- P** Portfolio Selection
- U** United States
- T** Taxable
- S** State Filings & K-1s

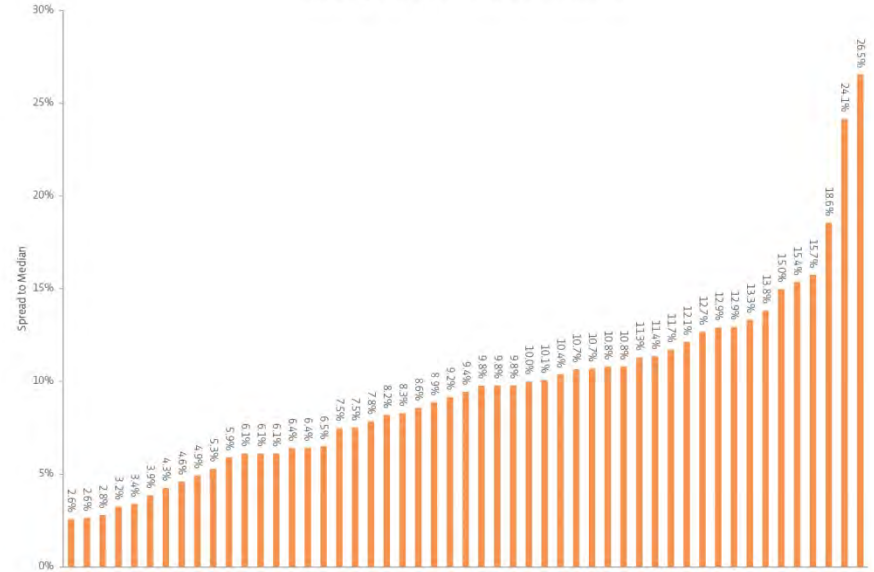


MLP Investing // Why diversify?

Trailing 12-month Performance of AMZ Constituents



Yield Dispersion of AMZ Constituents

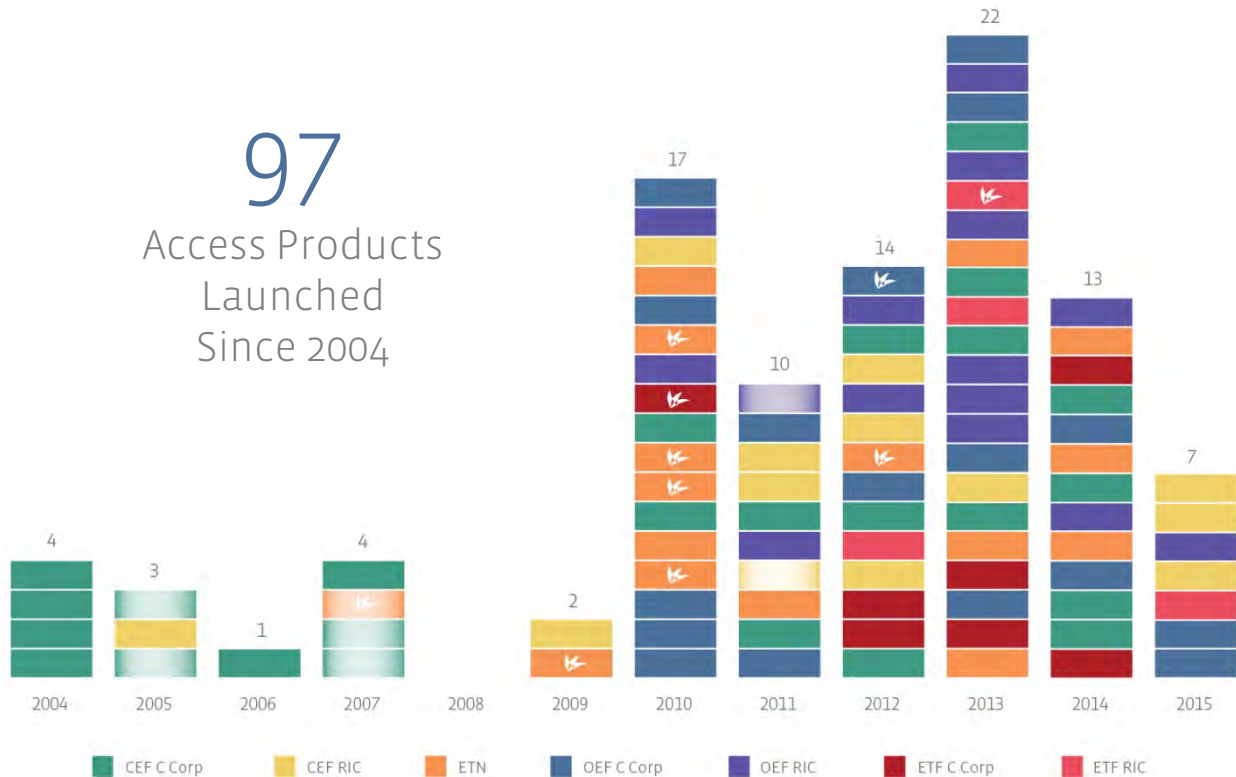




MLP Investing // Continued demand for access products

97

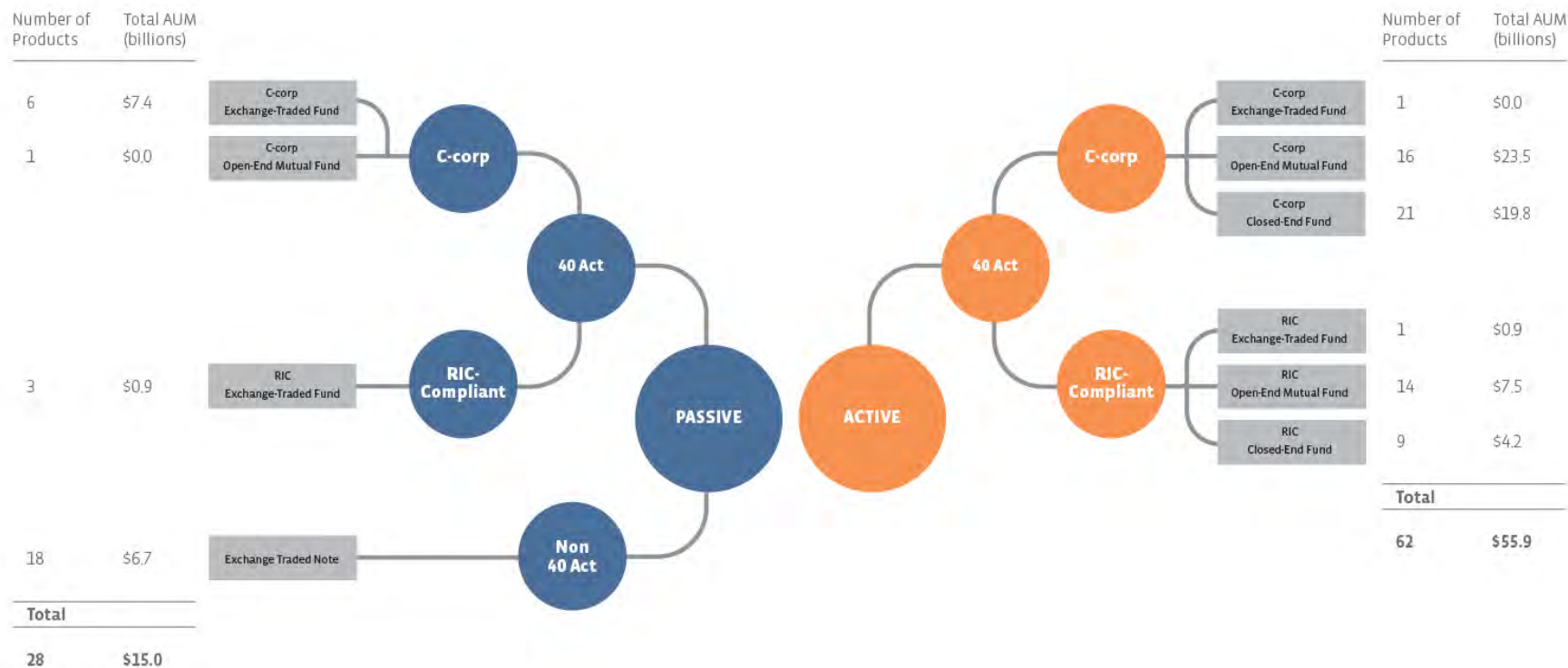
Access Products Launched Since 2004



Note: Faded colors represent funds that are now delisted
 Source: Alerian as of September 30, 2015

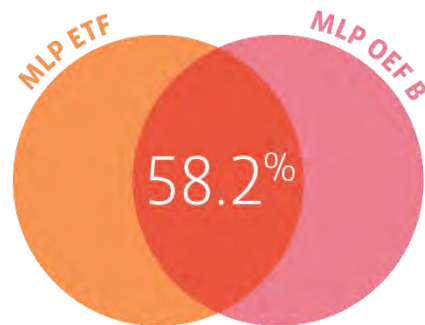
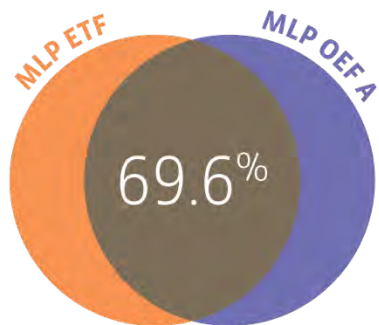
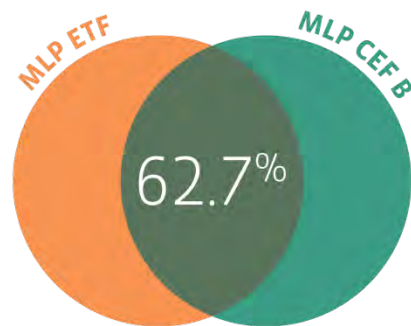
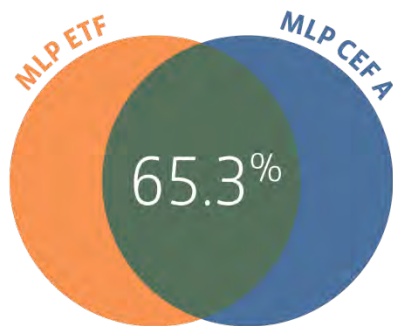


MLP Investing // MLP investment product decision tree





MLP Investing // Passive vs. active – high holdings overlap





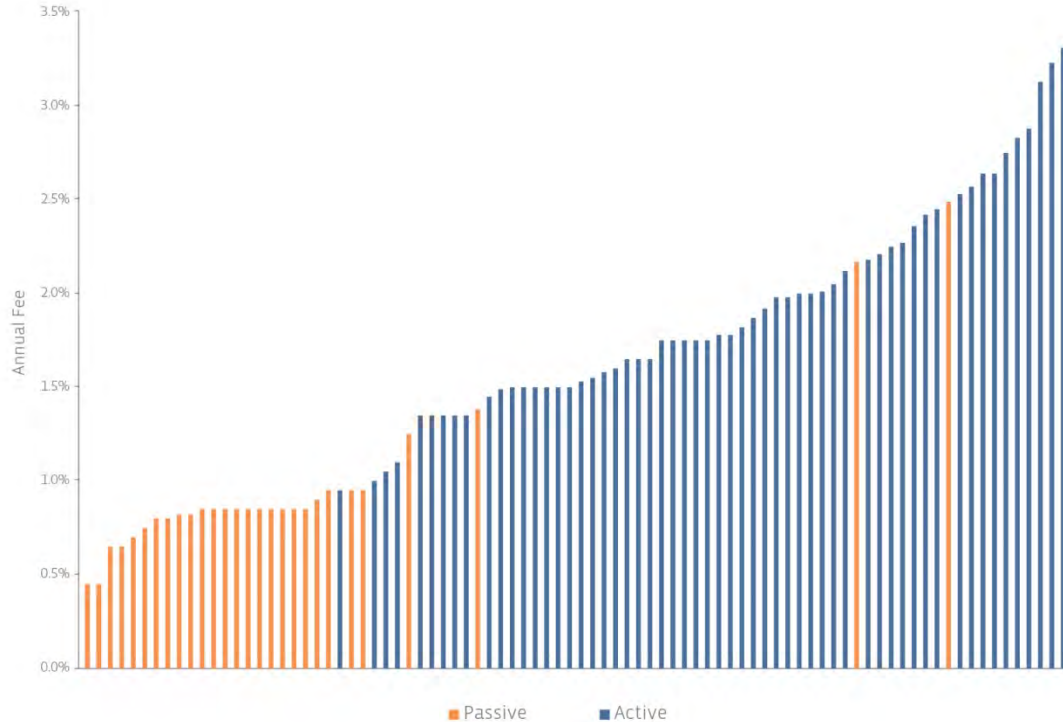
Liquidity concentrated in select MLPs

Days to Exit \$10 million Position in Single MLP





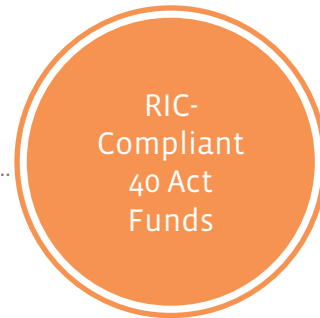
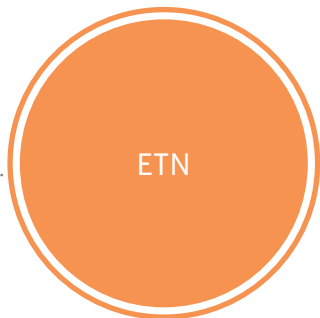
MLP Investing // Passive vs. active – worth the fees?



Each bar represents a currently available MLP investment product, and the length of the bar represents its annual fee. Expenses include management fees, borrowing costs, 12b-1 fees, other expenses as defined in the prospectus (including, but not limited to, shareholder service fees and fund acquisitions costs), fee waivers, and expense reimbursements. Current and deferred income tax expenses, trading costs, and commissions, among other costs, are excluded. Annual fees calculated from prospectus at fund launch.



MLP Investing // Different strokes for different folks



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
Low Volatility Investors

Tax-Advantaged Investors
Total Return Investors
Comfortable with Non-MLP Investments

*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



**Current
Issues &
Risks**



Current Issues & Risks // 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



Current Issues & Risks // Tax law changes unlikely

Income Source Narrowed

Unlike Canadian royalty trusts, the scope of qualifying income has been limited

Counterintuitive to Achieving Energy Independence

Tax structure removal would signal diminished support for energy infrastructure build-out

Proposed Expansion of Income Source

Bipartisan-supported MLP Parity Act would grant same tax status to certain renewable fuels

Minimal Tax Impact

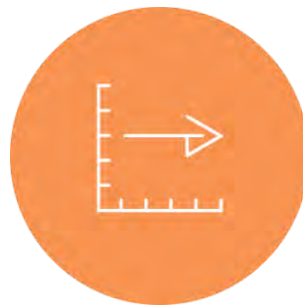
March 2015 study estimates forgone revenue of \$1.2 billion over five years



Inflation-indexed
contracts



No significant
correlation over the
long-term



Majority debt is
long-term and fixed



MLP distribution
growth historically
outpaces inflation



624 bps

Current AMZ
Spread to
Treasuries

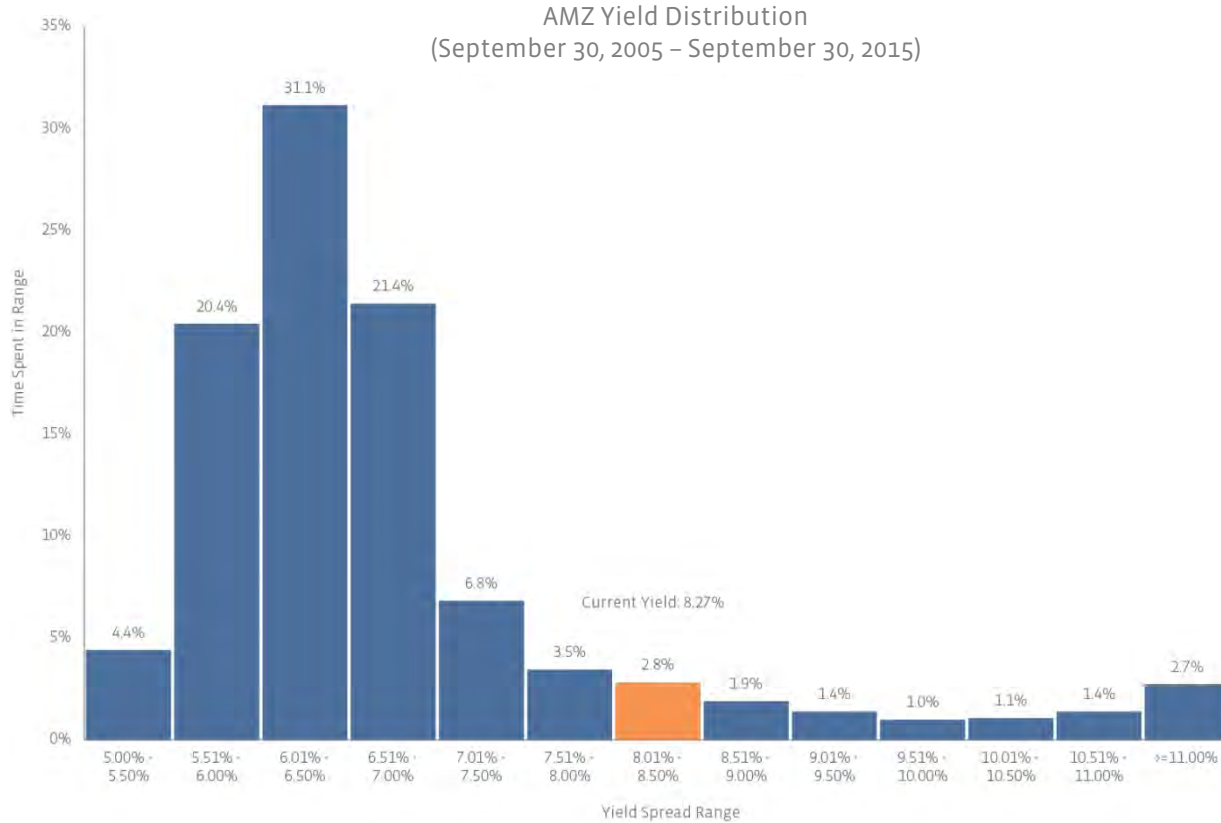
347 bps

10-Yr Median
AMZ Spread to
Treasuries



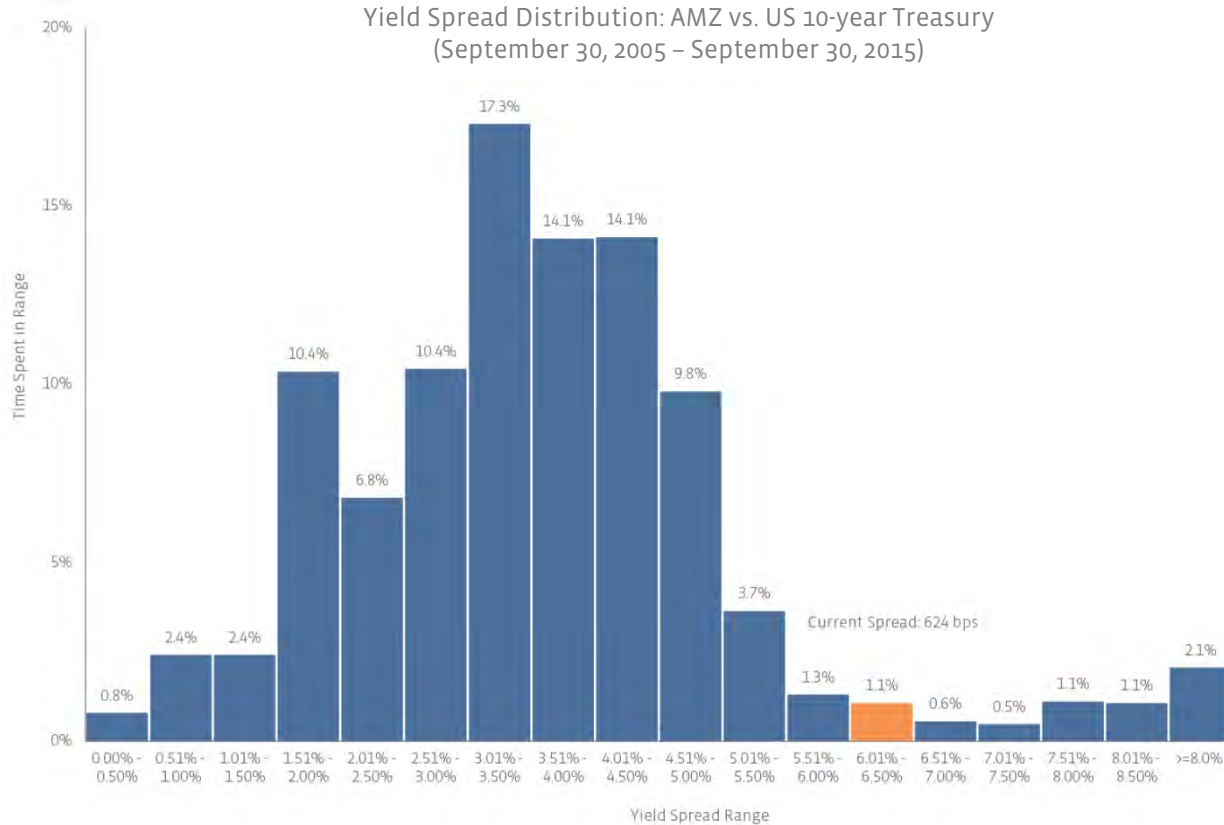


Current Issues & Risks // Historical distribution of MLP yields





Current Issues & Risks // Historical distribution of MLP yield spreads





613 bps

Current AMZI
Spread to
Treasuries

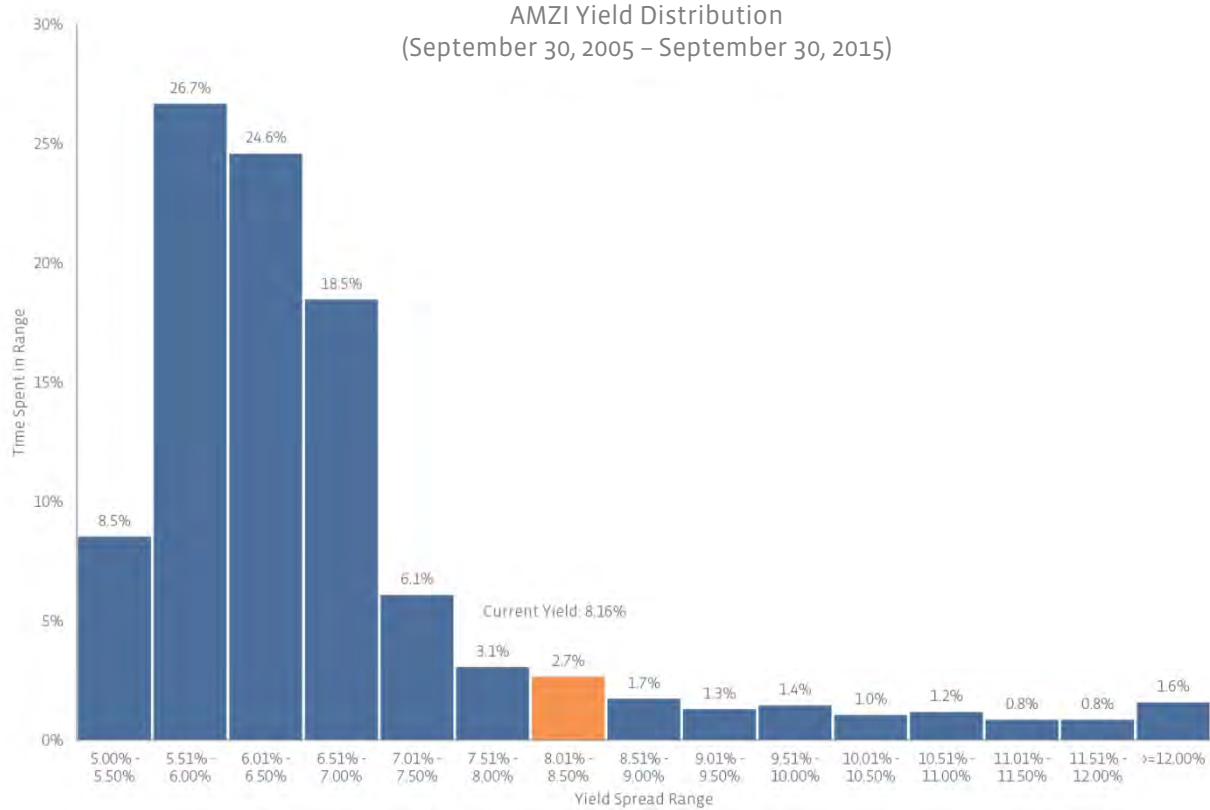
334 bps

10-Yr Median
AMZI Spread to
Treasuries



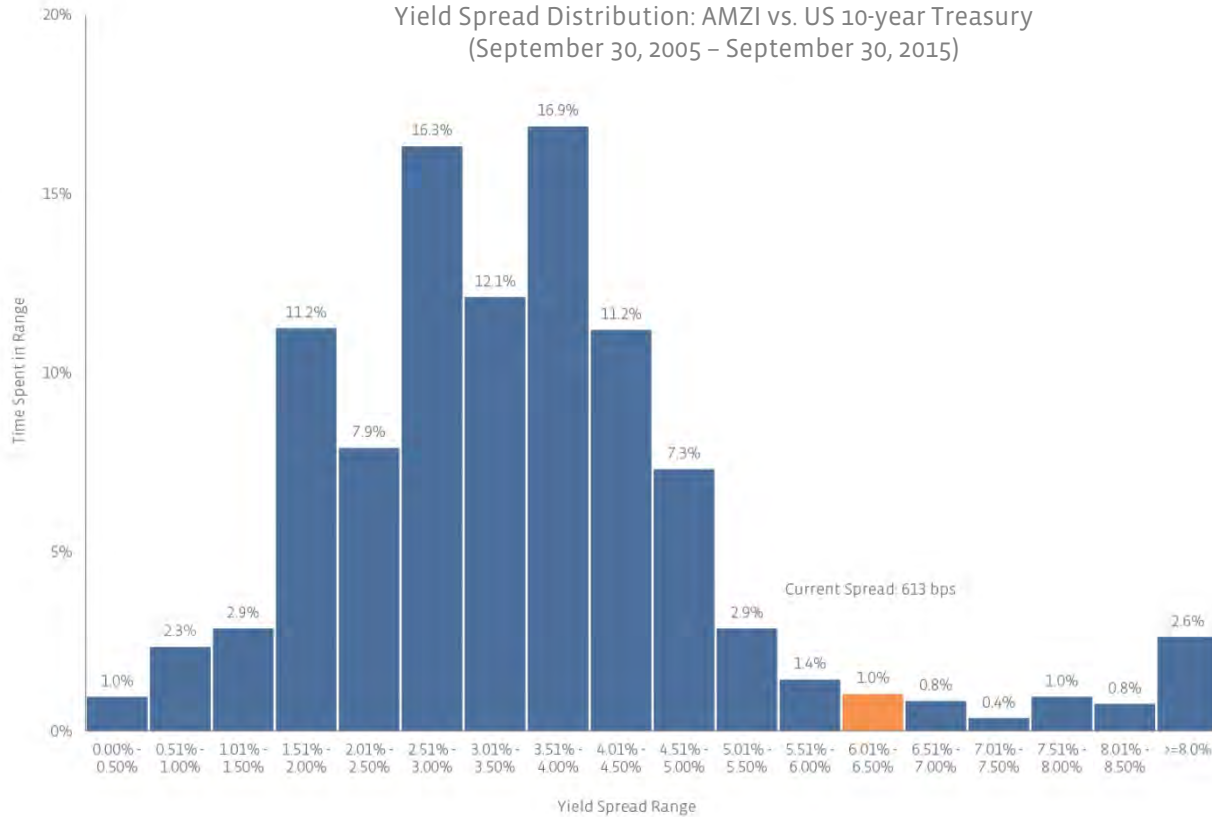


Current Issues & Risks // Historical distribution of MLP yields





Current Issues & Risks // Historical distribution of MLP yield spreads

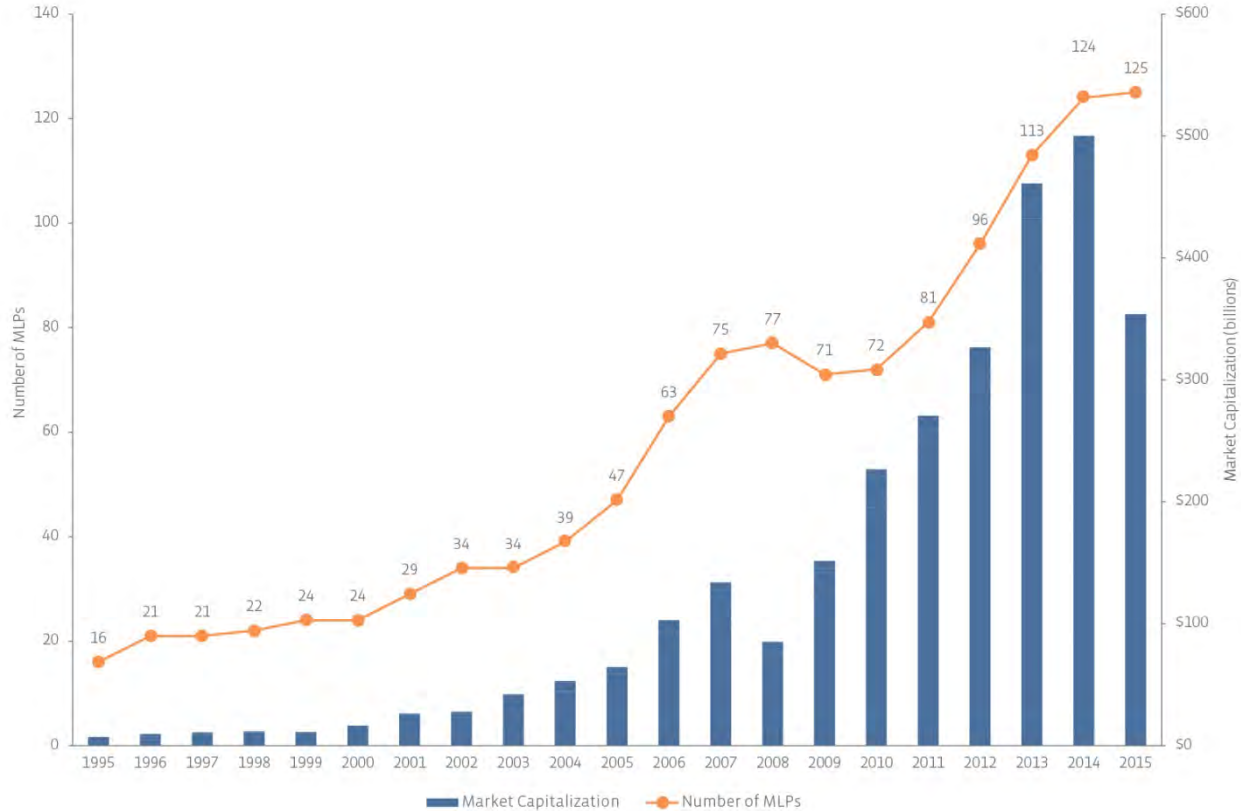




**Appendix:
Asset Class
Growth**

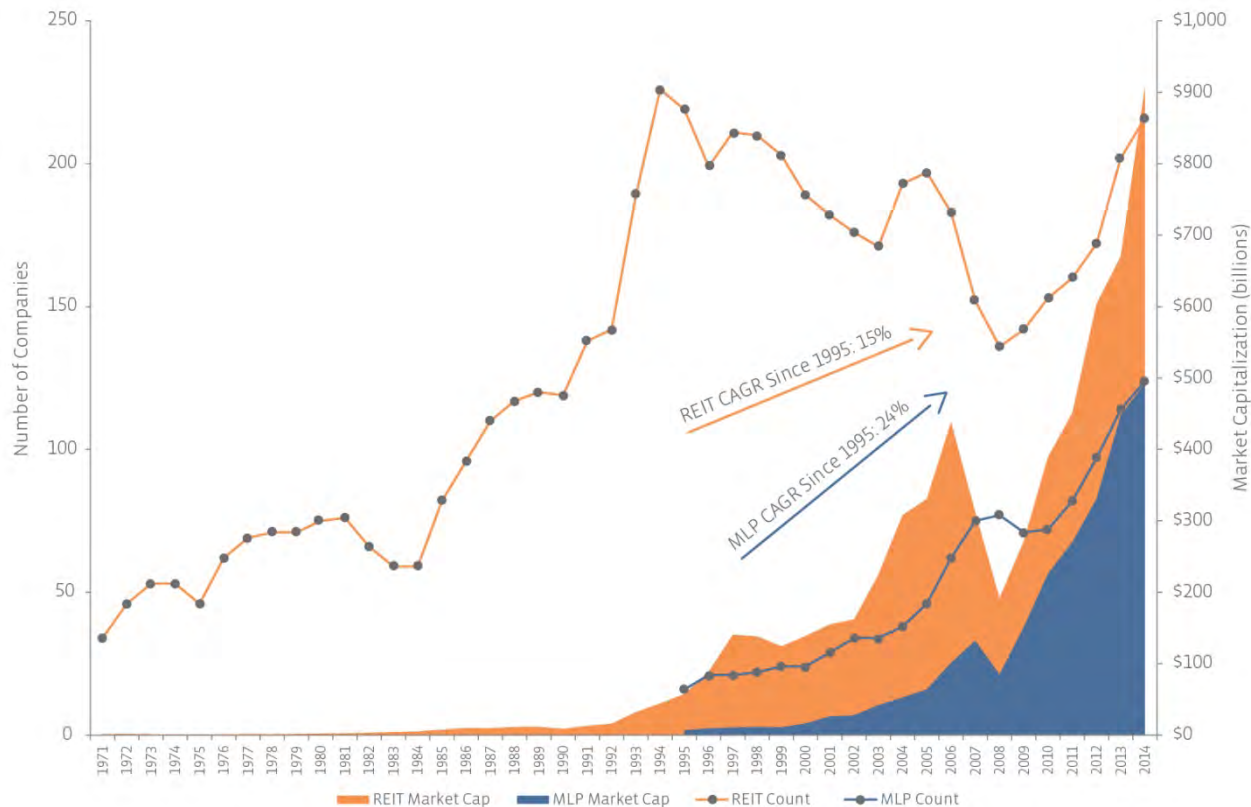


Appendix // No longer an emerging asset class



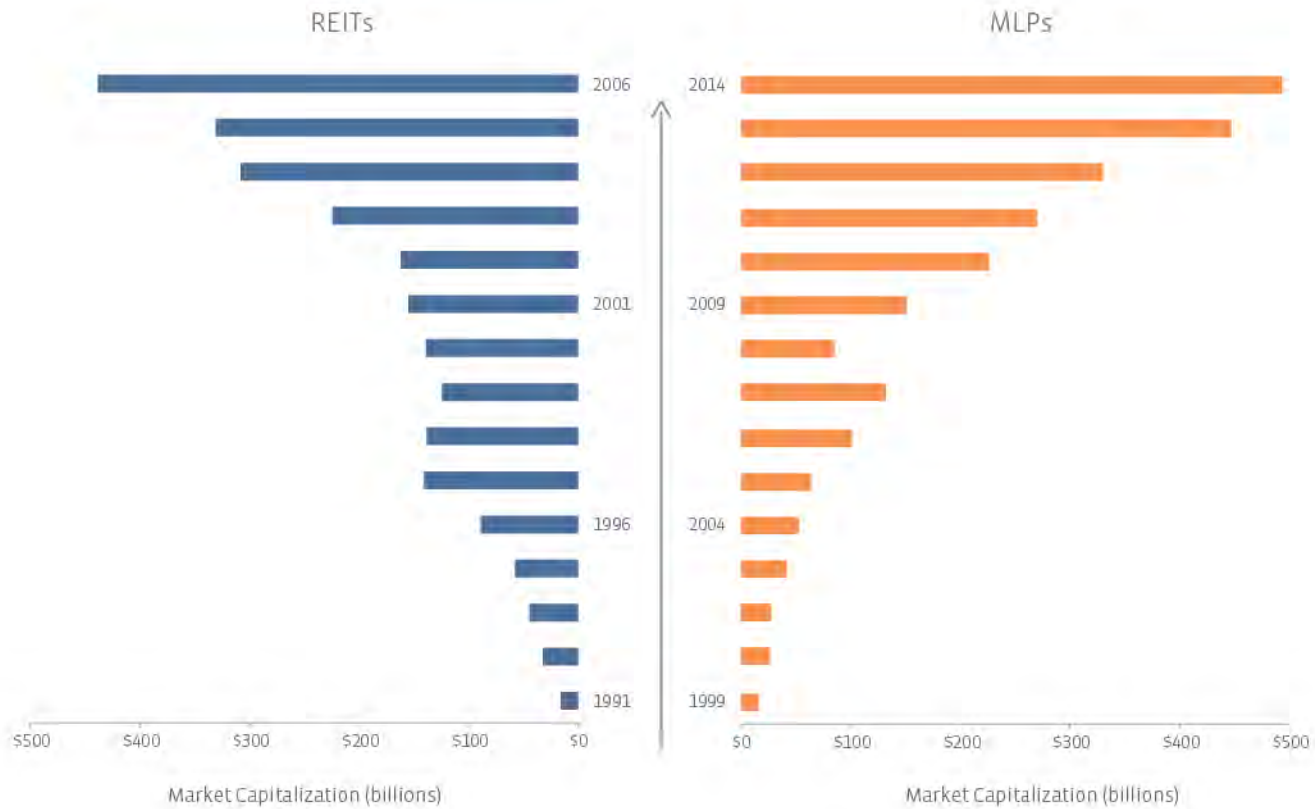


Appendix // MLP growth accelerating faster than REIT growth





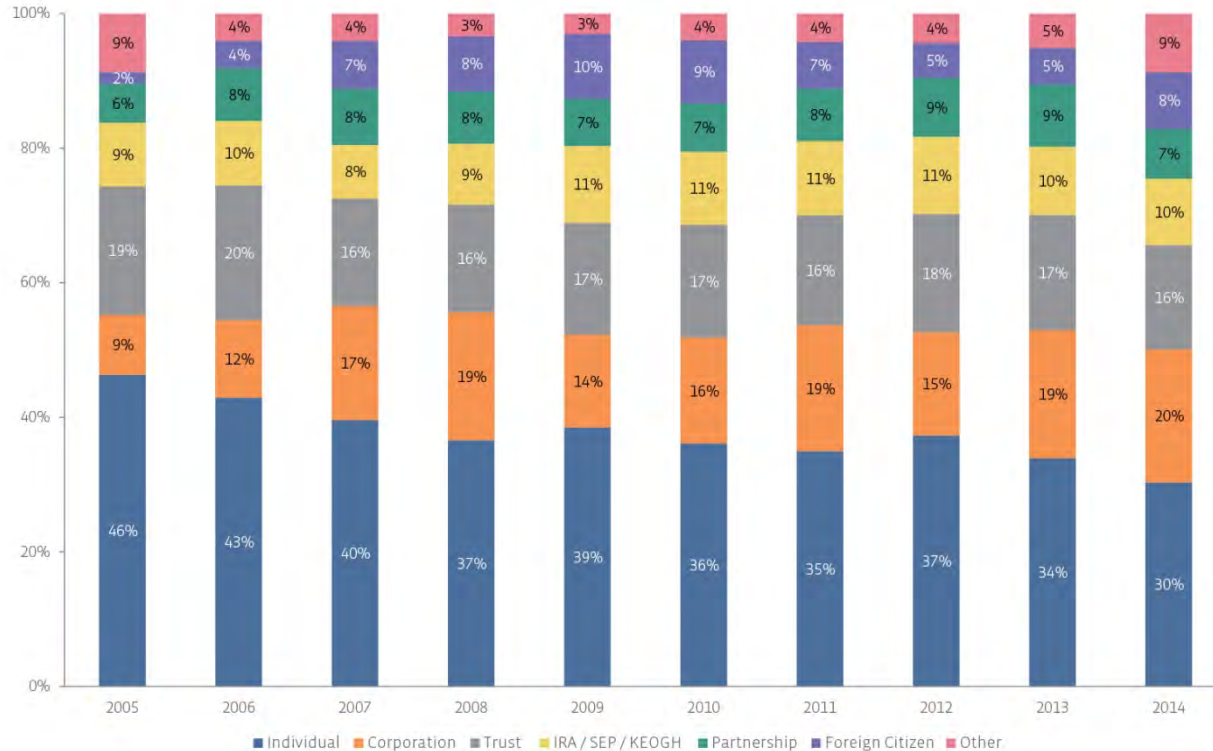
Appendix // A growth trajectory familiar to REIT investors





Appendix // Foreign and institutional investment has grown

MLP Unit Ownership Breakdown





Other



AMZ Methodology

- Be a publicly traded partnership or limited liability company (“LLC”)
- Be the majority of its pro forma cash flow from the transportation, storage, processing, or production of energy commodities
- Represent the primary limited partner interests of a partnership or LLC that is an operating company
- Have a distribution policy intended to maintain or increase distributions over time
- Generated positive distributable cash flow for the trailing four quarters combined
- Declared at least its pro-rata minimum quarterly distribution (“MQD”) for the trailing two quarters
- **Maintained or grown its distribution** quarter-over-quarter for at least one of the trailing two quarters
- Have a **median daily trading volume on all US exchanges of at least \$2.5 million for the six-month period** preceding the data compilation and analysis date
- Have an **adjusted market capitalization (“AMC”) of at least \$500 million**

If there are at least 50 companies that meet all criteria, a non-constituent can only be added to the index during (a) the quarterly rebalancing process if it meets all criteria and (i) exceeds each of a constituent’s market capitalization, AMC, and last full month’s median daily dollar trading volume by at least 10%; and/or (ii) a constituent fails to meet all criteria; or (b) the special rebalancing process if it meets all criteria and a constituent is being removed due to delisting or bankruptcy. If there are not 50 companies that meet all criteria, a non-constituent will be added during the quarterly rebalancing process if it meets all criteria; it can still be added despite not meeting all criteria (a) during the quarterly rebalancing process according to the preference order below or (b) during the special rebalancing process if a constituent is being removed due to delisting or bankruptcy. A non-constituent that has entered into a merger agreement to be acquired is not eligible to be added to the index.

If the number of qualifying non-constituents to be added does not match the number of constituents to be removed, preference is given according to the following criteria, in order.

- Fewest number of failed criteria, numbers six through nine
- Adjusted market capitalization



AMZI Methodology

- Be a publicly traded partnership or limited liability company (“LLC”)
 - Earn the **majority of its pro forma cash flow from the pipeline transportation, storage, and processing of energy commodities**
 - Represent the primary limited partner interests of a partnership or LLC that is an operating company
 - Have a distribution policy intended to maintain or increase distributions over time
 - Generated positive distributable cash flow for the trailing four quarters combined
 - Declared at least its pro-rata minimum quarterly distribution (“MQD”) **for the trailing two quarters**
 - **Maintained or grown its distribution** quarter-over-quarter for at least one of the trailing two quarters
 - Have a **median daily trading volume on all US exchanges of at least \$2.5 million for the six-month period** preceding the data compilation and analysis date
 - Have an **adjusted market capitalization (“AMC”) of at least \$2 billion**
- A non-constituent will only be added to the index if it meets all criteria during the quarterly rebalancing process. The exception to the above statement is described in the paragraph below. A constituent will remain in the index if it **continues to meet the first eight criteria and has an AMC of at least \$1.6 billion** (20% below the entry threshold, representing the generally accepted definition of a bear market). Constituents will only be removed from the index for failing to do so during the quarterly rebalancing process. A non-constituent that has entered into a merger agreement to be acquired is not eligible to be added to the index.
- The index must have a minimum of 20 constituents. If the number of constituents would otherwise fall below 20, constituents are added on the rebalancing date until the index has 20 constituents, with preference given according to the following criteria, in order.
 - Fewest number of failed criteria, numbers six through nine
 - Adjusted market capitalization



About Alerian // Speaker Bios



Emily Hsieh, CPA is the Director of Global Operations at Alerian. Ms. Hsieh manages the firm's relationships with MLPs and licensees and develops business strategies for the Alerian Index Series. Ms. Hsieh was previously with Raymond James & Associates Inc as a Senior Associate in the firm's Equity Research Division, covering the midstream energy MLP space. She developed differentiated investment calls and worked closely with the firm's financial advisors and institutional investors. Ms. Hsieh graduated with a Masters of Professional Accounting and a Bachelor of Business Administration from the McCombs School of Business at The University of Texas at Austin.



Maria Halmo is the Director of Research at Alerian. Ms. Halmo leads the firm's research efforts, which include examining MLP regulatory filings, monitoring legislative activity, and investigating industry developments. She also oversees Alerian's public communications strategy through investor outreach. Ms. Halmo is a former Associate at SteelPath Capital Management LLC, a Dallas-based MLP investment manager, where she conducted valuation analyses of petroleum transportation partnerships and researched macro-level energy issues. Ms. Halmo graduated with a Bachelor of Arts in Astrophysics from Barnard College at Columbia University. She is also a contributing author to Midstream Business, a monthly publication addressing the need for business market intelligence on North American energy infrastructure.