



Alerian

# Guide to MLP Investing

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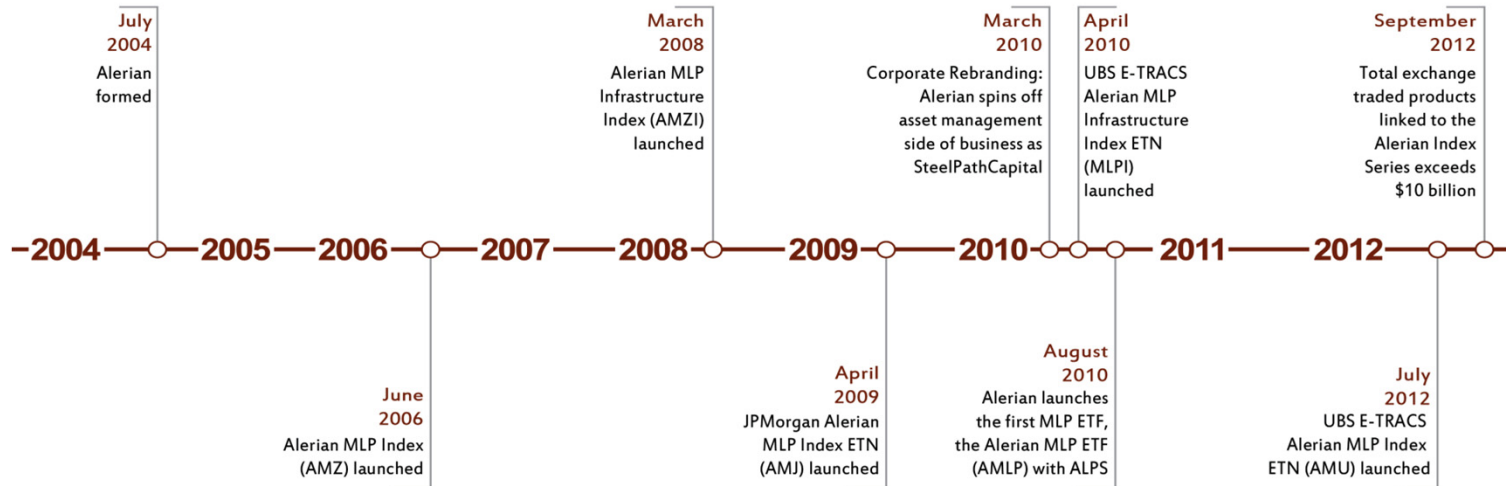
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# About Alerian

Market intelligence provided through industry-leading benchmarks and analytics

Alerian launched the first real-time MLP index

Over \$16 billion is directly linked to the Alerian Index Series



Source: Alerian as of 31 December 2013



# Alerian Index Series

Ticker	Name	Constituents	Tracking	Methodology	Launch Date
<b>AMZ</b>	Alerian MLP Index	50 MLPs	Energy MLPs	Float-adjusted Capitalization-weighted	June 2006
<b>AMZI</b>	Alerian MLP Infrastructure Index	25 MLPs	Infrastructure MLPs	Capped, Float-adjusted Capitalization-weighted	March 2008
<b>ANGI</b>	Alerian Natural Gas MLP Index	20 MLPs	Natural Gas MLPs	Equal-weighted	January 2010
<b>ALCI</b>	Alerian Large Cap MLP Index	15 MLPs	Large Cap MLPs	Equal-weighted	March 2010
<b>AMZE</b>	Alerian MLP Equal Weight Index	50 MLPs	Energy MLPs	Equal-weighted	April 2013
<b>AMEI</b>	Alerian Energy Infrastructure Index	30 MLPs and Corporations	Energy Infrastructure	Five Equal-weighted Categories	April 2013

Source: Alerian as of 31 December 2013

# Trusted Innovation and Data Integrity

## Market-Leading Data Depth

- 15+ years of data in daily, weekly, monthly, quarterly, and yearly formats
- Price, distribution yield, and total return performance data available
- Custom and independent database of share counts and float adjustments

## Rigorous Data Checking Process

- Unparalleled track record of data accuracy and consistency
- Data provided by independent distributors is often outdated or inaccurate
- Indices are back-tested; majority of competitors back-casted or back-filled

## Transparency

- Rules-based methodology is highly structured and publicly available
- Rebalancings and constituent changes announced via PR Newswire
- Indices can be replicated with publicly available information

## Innovation Ahead of Trends

- First real-time MLP index launched in 2006 (NYSE: AMZ)
- First MLP exchange traded note launched in 2007 (NYSE: AMJ)
- First MLP exchange traded fund launched in 2010 (NYSE: AMLP)

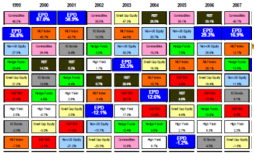
# The MLP Industry Standard

## MLP Management Teams

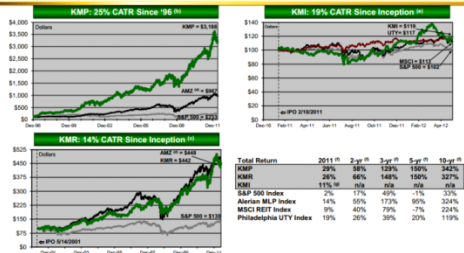
EPD and AMZ MLP Index  
Attractive Total Return vs. Other Asset Classes



KINDER MORGAN



### Significant Historical Returns (a)



(a) CAGR calculations based upon starting price and the last trading day of the first quarter for each Composite. S&P 500 Composite Index: EPD: Enterprise Products Partners L.P., Inergy Funds: Inergy, Vanguard Commodities: TSE: US Healthcare: iShares Funds: MLP Index: Alerian Index: NASDAQ: US Index: Small Cap Equity: Russell 2000 Index.

© All rights reserved. Enterprise Products Partners L.P.

Source: Bloomberg L.P.  
Data as of 12/31/2011. All data is subject to audit. All returns are in US dollars. All returns are annualized. All returns are based on the last trading day of the first quarter for each Composite. S&P 500 Composite Index: EPD: Enterprise Products Partners L.P., Inergy Funds: Inergy, Vanguard Commodities: TSE: US Healthcare: iShares Funds: MLP Index: Alerian Index: NASDAQ: US Index: Small Cap Equity: Russell 2000 Index.

## Research Analysts

**CREDIT SUISSE**  
CS Take on MLPs: Special Edition  
Implications of WSP Restructuring Announcement for MLPs

**Bank of America Merrill Lynch**  
The MLP Maven

**BARCLAYS CAPITAL**  
MLPs

## Television



## Print

Alerian Index

### Despite Challenges, MLPs Continue To Raise Distributions

In 2012, warm weather, low natural gas prices and a cautious political environment are offset by record earnings, pipeline master limited partnerships' (MLP) distribution raises and increasing domestic production. In January the Alerian MLP Infrastructure Index (AMZI) gained 2.2% on a total-return basis, as compared to the S&P 500 return of 4.5%.

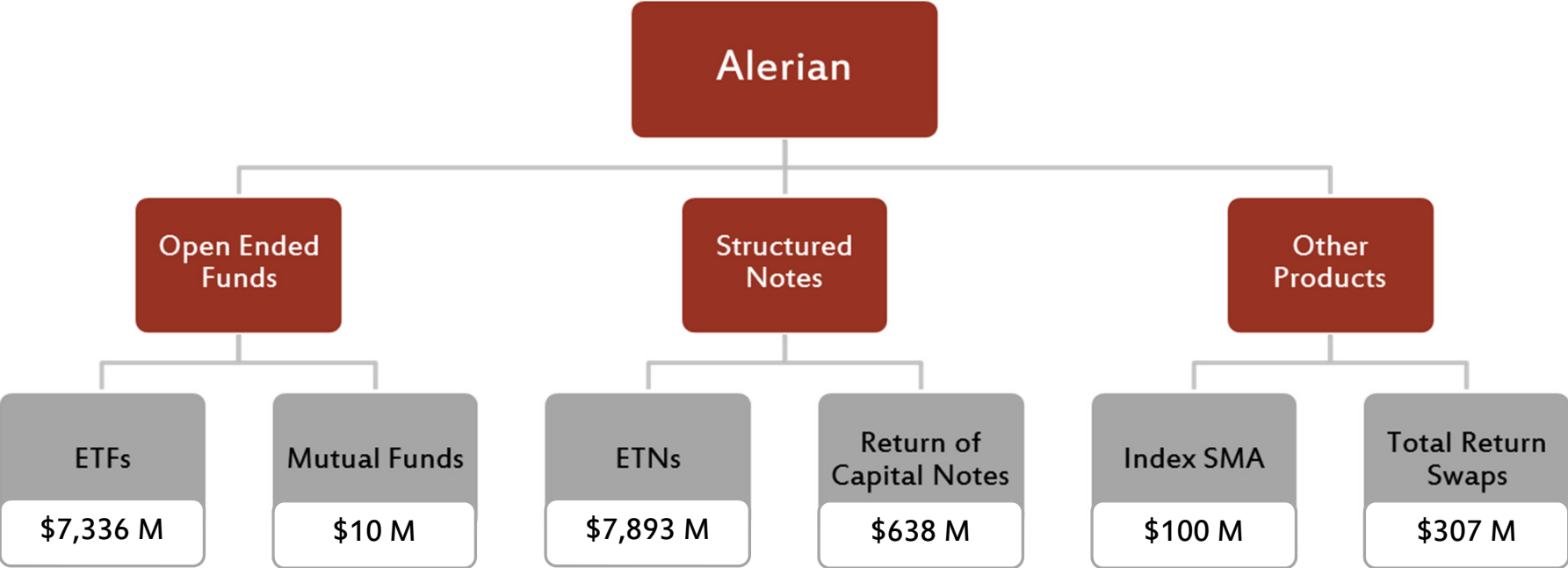
In February the Energy Information Administration's (EIA) Short Term Energy Outlook reported that the average American expenditure for heating fuel has been lowered for the third consecutive time, primarily due to continued warm weather throughout most of the U.S. Natural gas expenditures are expected to decline by 11% and propane expenditures by 5%. Natural gas storage inventories continued to set record seasonal highs and natural gas prices fell by 17% in January, while propane prices fell 7%.

In response to such low natural gas prices, Chesapeake Energy Corp. announced a reduction



On a trailing twelve month basis, the AMZI has returned 16.6% on a total-return basis, versus the S&P 500 of 4.2%.

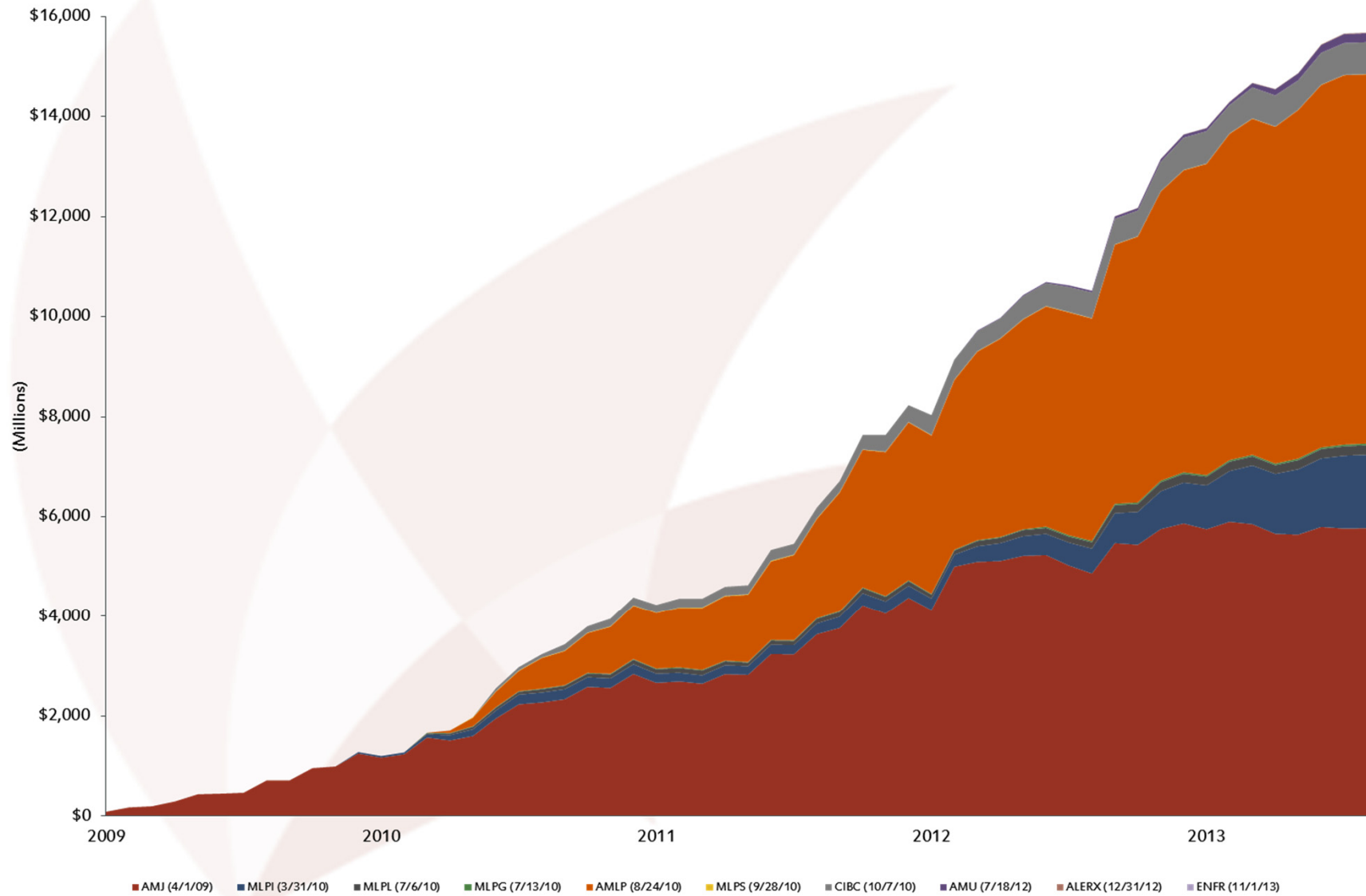
# Alerian Index-Linked Products



Over \$16 billion is linked directly to the Alerian Index Series

Source: Alerian as of 31 December 2013

# Investors Trust Alerian's Innovation



Source: Alerian as of 31 December 2013



# Why MLPs?

## Growth of US Energy Infrastructure

- MLPs build, acquire, and operate transportation assets
- MLPs build, acquire, and operate processing and storage assets

## Stable and Growing Cash Flows

- Fee-based toll-road business models
- Interstate liquid tariffs are indexed to inflation using PPI+ methodology
- Average distribution growth of ~7% over the past 10 years

## No Entity-Level Taxation

- No double taxation if 90% of income is from qualifying sources
- Higher payout ratios and lower cost of capital than C corporations

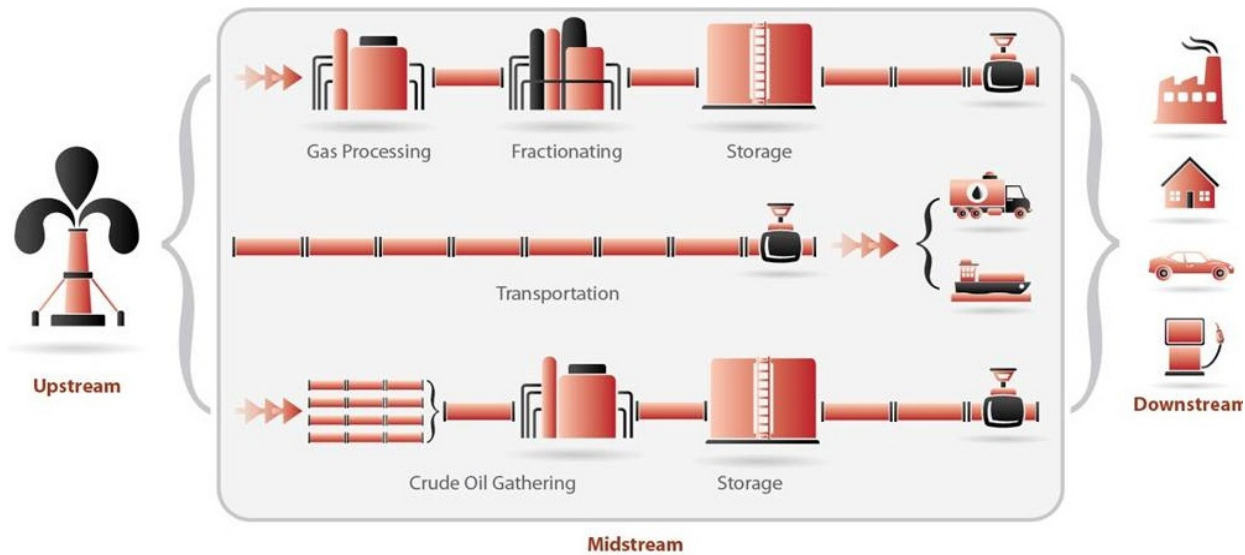
## Growing Asset Class

- 2003: 34 MLPs with \$42 billion in market capitalization
- 2013: 110 MLPs with \$420 billion in market capitalization

## Tax-Efficient Yield and Diversification

- 70%-100% of income is tax-deferred return of capital
- Low correlation to broader markets (0.50 to the S&P 500)

# What Is an Energy Infrastructure Asset?



## Stable Cash Flows

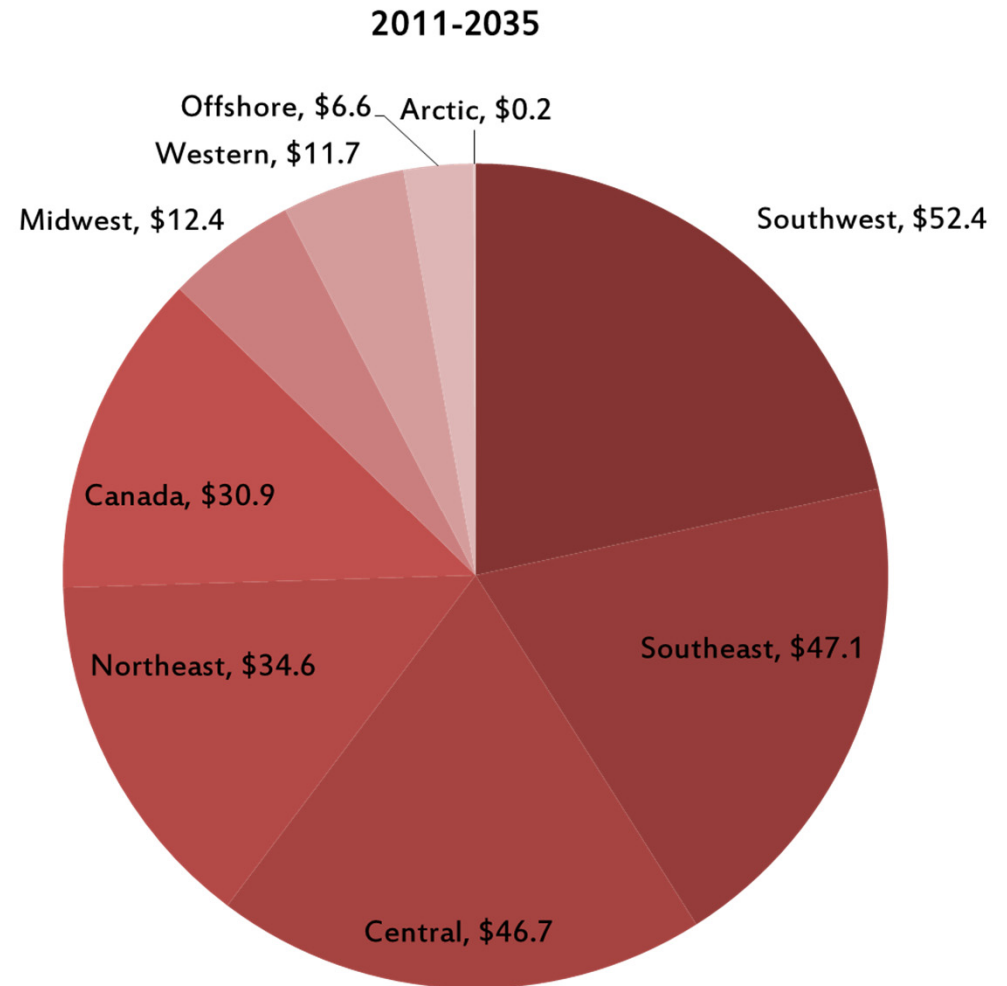
- Toll-road [**Price x Volume**] or contract-based business models
- Limited ownership of hydrocarbons mitigates commodity price exposure

## Growing Cash Flows

- **Price:** Interstate liquids tariffs have built-in PPI “plus” revenue indexing
- **Volume:** Inelastic and growing energy demand (~1% per annum)

# New Infrastructure Investment To Spur MLP Growth

The Interstate Natural Gas Association of America (INGAA) estimates that \$240 billion will need to be invested in North American infrastructure over the next 25 years

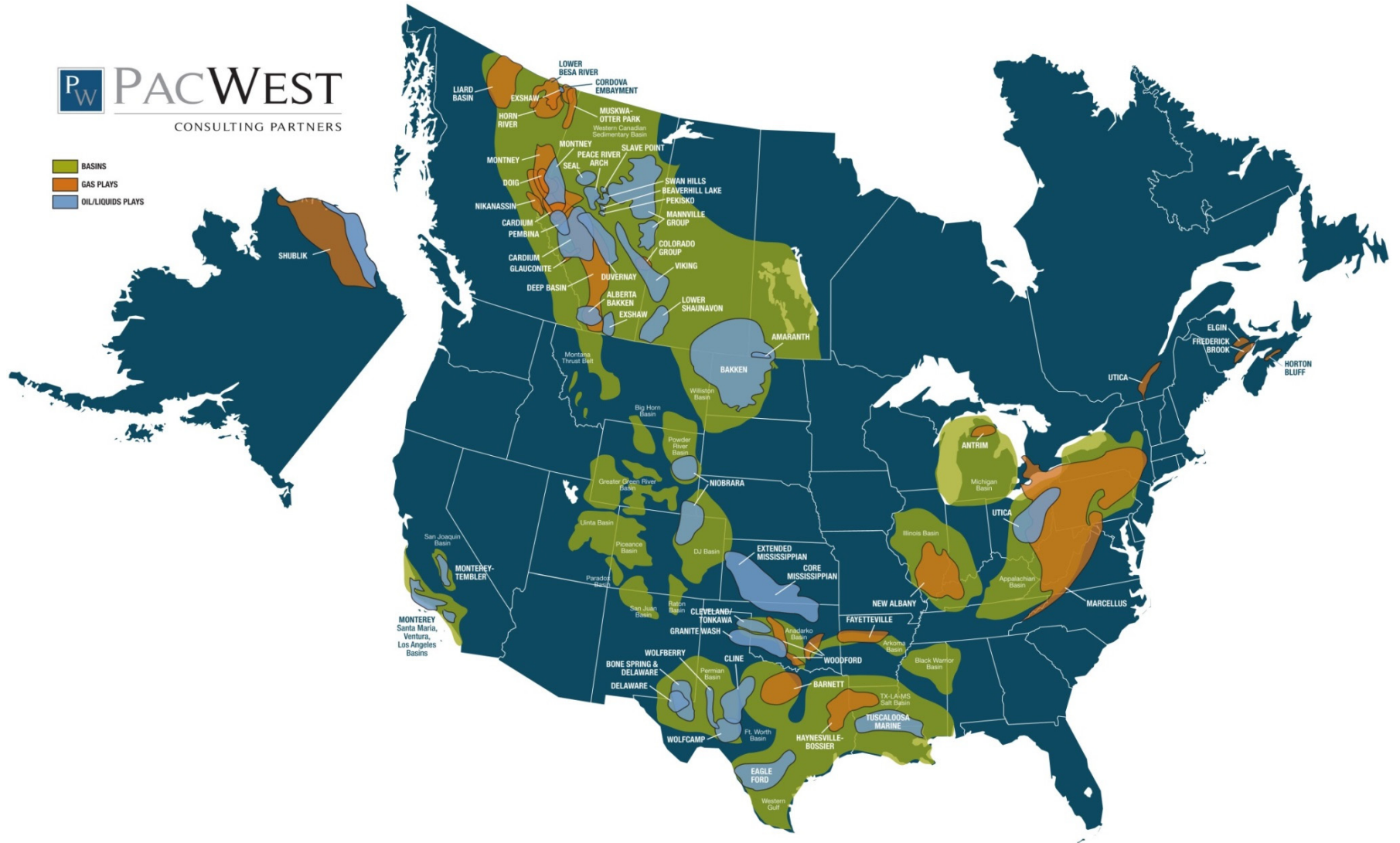


Source: INGAA as of 28 June 2011

# New Supply Centers, New Infrastructure Investment

**PW PACWEST**  
CONSULTING PARTNERS

- BASINS
- GAS PLAYS
- OIL/LIQUIDS PLAYS



Source: PacWest Consulting Partners as of February 2013

## Majors Monetize to MLPs

**El Paso Corporation Acquired by Kinder Morgan Inc. for \$23 Billion**

Rex Energy and Sumitomo Sell Keystone Midstream Services to MarkWest for \$512 Million

**SEMGROUP SELLS SEMSTREAM LP TO NGL ENERGY PARTNERS FOR \$190 MILLION**

**BP'S CANADIAN NGL BUSINESS SOLD TO PLAINS ALL AMERICAN FOR \$1.7 BILLION**

Marathon's Gulf of Mexico Crude Pipelines Acquired by Genesis Energy for \$206 Million

VALERO ENERGY SELLS 50% INTEREST IN CAMERON HIGHWAY OIL PIPELINE (CHOPS) TO GENESIS ENERGY FOR \$330 MILLION

**EXXON MOBIL SELLS 190 RETAIL GAS STATIONS TO GLOBAL PARTNERS FOR \$200 MILLION**

**Encana Sells Colorado Natural Gas Processing Complex and Gathering Systems to Western Gas for \$303 Million**

EQT Sells Big Sandy Pipeline in Kentucky to Spectra Energy Partners for \$390 Million

**CHEVRON SELLS NEW YORK LPG MARINE TERMINAL FACILITY TO BUCKEYE PARTNERS FOR \$260 MILLION**

BP SELLS REFINED PRODUCTS PIPELINES AND TERMINALS TO BUCKEYE PARTNERS FOR \$165 MILLION

**EQT SELLS KENTUCKY NATURAL GAS PROCESSING COMPLEX TO MARKWEST FOR \$230 MILLION**

BP's Cushing Oil Tanks and Refined Product Pipelines Sold to Magellan Midstream for \$290 Million

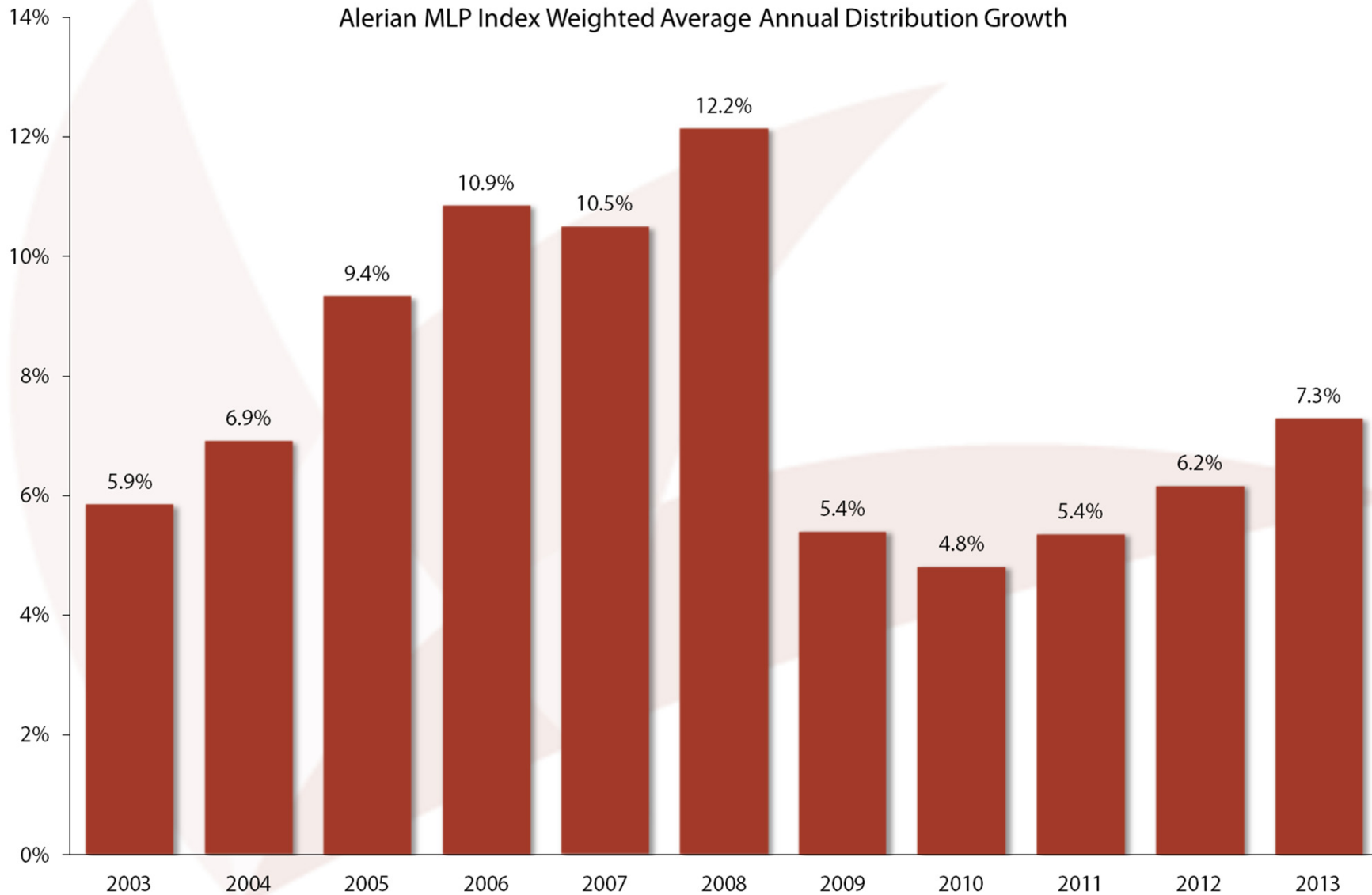
**SUNOCO INC ACQUIRED BY ENERGY TRANSFER FOR \$5 BILLION**

Integrated majors are incentivized to sell their midstream assets to MLPs and reinvest the proceeds into their drilling programs

## Congressional Leaders View MLPs Constructively

- Joint Committee on Taxation (JCT) Expenditure List
  - Updated Feb 2013 study estimates foregone revenue of \$7.5 billion in 2012-2017
  - Increase from Jan 2012 estimate of \$1.5 billion in 2011-2015
- Abolishing structure would be counterintuitive for viability of US energy independence
- MLP Parity Act
  - Proposed in House (HR 1696) and Senate (S 795)
  - Would grant same tax status to certain renewable fuels
  - Forgone revenue estimate of \$1.5 billion over 10 years
- Education outreach via National Association of Publicly Traded Partnerships (NAPTP)
  - “New revenue numbers are dwarfed by the level of private capital that MLPs have invested to build US energy infrastructure (\$113 billion of infrastructure since 2007) and other contributions to our domestic energy security.”

# Distribution Growth Despite Environment



Calculated as the weighted average annual distribution growth

Source: Alerian as of 31 December 2013

# The Chemistry of MLPs

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Annualized
REITs 35.0%	Commodities 25.6%	REITs 35.6%	Commodities 32.7%	Utilities -28.9%	<b>MLPs</b> <b>76.4%</b>	<b>MLPs</b> <b>35.9%</b>	Utilities 19.9%	REITs 18.0%	Small Cap 38.8%	<b>MLPs</b> <b>15.0%</b>
Utilities 24.3%	Utilities 16.8%	Non-US 26.3%	Utilities 19.4%	DJIA -31.9%	Non-US 31.8%	Small Cap 26.9%	<b>MLPs</b> <b>13.9%</b>	Non-US 17.3%	S&P 500 32.4%	Utilities 9.2%
Non-US 20.2%	REITs 13.7%	<b>MLPs</b> <b>26.1%</b>	<b>MLPs</b> <b>12.7%</b>	Small Cap -33.7%	REITs 27.6%	REITs 26.7%	REITs 9.4%	Small Cap 16.3%	DJIA 29.7%	Small Cap 9.1%
Small Cap 18.3%	Non-US 13.5%	Utilities 21.0%	Non-US 11.2%	<b>MLPs</b> <b>-36.9%</b>	Small Cap 27.2%	S&P 500 15.1%	DJIA 8.4%	S&P 500 16.0%	<b>MLPs</b> <b>27.6%</b>	REITs 8.5%
Commodities 17.3%	<b>MLPs</b> <b>6.3%</b>	DJIA 19.0%	DJIA 8.9%	S&P 500 -36.9%	S&P 500 26.5%	DJIA 14.1%	S&P 500 2.1%	DJIA 10.2%	Non-US 22.8%	S&P 500 7.4%
<b>MLPs</b> <b>16.6%</b>	S&P 500 4.9%	Small Cap 18.4%	S&P 500 5.5%	REITs -37.3%	DJIA 22.9%	Commodities 9.0%	Commodities -1.1%	<b>MLPs</b> <b>4.8%</b>	Utilities 13.2%	DJIA 7.4%
S&P 500 10.9%	Small Cap 4.6%	S&P 500 15.8%	Small Cap -1.5%	Non-US -43.3%	Commodities 13.5%	Non-US 7.8%	Small Cap -4.1%	Utilities 1.3%	Commodities -1.2%	Non-US 6.9%
DJIA 5.3%	DJIA 1.7%	Commodities -15.0%	REITs -16.3%	Commodities -46.4%	Utilities 11.9%	Utilities 5.5%	Non-US -12.1%	Commodities 0.1%	REITs -0.5%	Commodities 0.7%

Master Limited Partnerships (MLPs) are represented by the Alerian MLP Index (AMZ). The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 blue-chip stocks that are leaders in their industry. Utilities are represented by the S&P 500 Utilities Index, a composite of utility stocks in the S&P 500. Real Estate Investment Trusts (REITs) are represented by the Real Estate 50 Index, a supplemental benchmark to the FTSE NAREIT US Real Estate Index Series to measure the performance of more frequently traded equity REITs. Commodities are represented by the S&P Total Return World Commodity Index (SPWCITR). Non-US equities are represented by the MSCI Daily Total Return EAFE Index (NDDUEAFE). Small cap equities are represented by the Russell 2000 Index. Performance is provided on a total return basis.

Source: Alerian as of 31 December 2013



# Different Strokes for Different Folks

Investment Type	Direct Investment	Managed SMA	Closed-End Funds		Open-End Mutual Funds		Exchange-Traded Funds		Exchange-Traded Notes
			100% MLP	<25% MLP	100% MLP	<25% MLP	100% MLP	<25% MLP	
<b>Tax Classification</b>	Partnership	Partnership	Taxable "C" Corp	Non-Taxable "M" Corp	Taxable "C" Corp	Non-Taxable "M" Corp	Taxable "C" Corp	Non-Taxable "M" Corp	Forward Contract
<b>Return of Capital Flow-Through</b>	70%-100%	70%-100%	70%-100%	Varies*	70%-100%	Varies*	70%-100%	Varies*	No
<b>Tax Treatment</b>	0%-30% Ordinary Income	0%-30% Ordinary Income	0%-30% Qualified Dividend	Varies*	0%-30% Qualified Dividend	Varies*	0%-30% Qualified Dividend	Varies*	100% Ordinary Income
<b>Tax Form</b>	Form K-1	Form K-1	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099	Form 1099
<b>IRA/401k Eligible</b>	Taxable Beyond \$1,000 in UBTI	Taxable Beyond \$1,000 in UBTI	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Leverage</b>	No	No	Up to 33%	Up to 33%	Up to 33%	Up to 33%	No	No	No**
<b>First Fund Launched</b>	N/A	N/A	Feb 2004	Jun 2005	Mar 2010	Sep 2010	Aug 2010	Jul 2012	Jul 2007
<b>Total Funds</b>	N/A	N/A	18	10	10	7	5	3	12
<b>AUM (\$ MM)</b>	N/A	N/A	\$17.2B	\$4.3B	\$11.2B	\$2.8B	\$7.7B	\$0.5B	\$8.8B

Closed-End Funds: CBA, CEM, CEN, CTR, EMO, FEI, FEN, FMO, JMF, KED, KYN, NML, NTG, SRF, SRV, TYG, TYN, TYY

Open-End Mutual Funds: ALERX, AMLPX, CCCAX, CSHAX, CURAX, GLPAX, MLPAX, MLPDX, MLPFX, MLPLX

Exchange-Traded Funds: AMLP, MLPA, MLPJ, YMLI, YMLP

Exchange-Traded Notes: AMJ, AMU, ATMP, IMLP, MLPC, MLPG, MLPI, MLPL, MLPN, MLPS, MLPW, MLPY

RIC Closed-End Funds: FIF, KMF, KYE, MIE, NDP, SMF, SMM, SZC, TPZ, TTP

RIC Open-End Mutual Funds: CRZAX, EGLAX, INFRX, MLPPX, SMAPX, TMLAX, TORTX

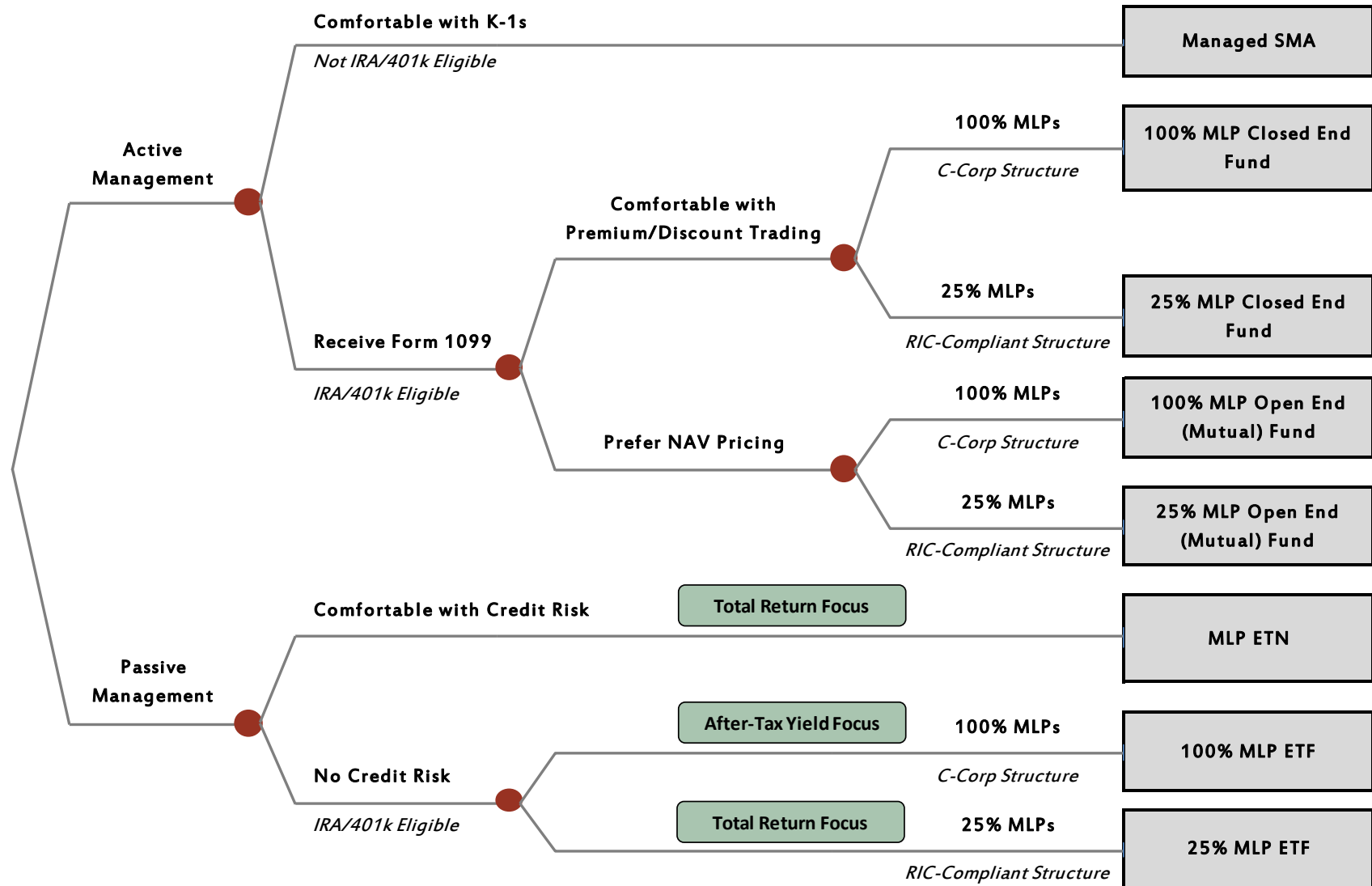
RIC Exchange-Traded Fund: EMLP, MLPX, ENFR

Managed SMA Examples: Steelpath, Energy Income Partners, Tortoise, etc.

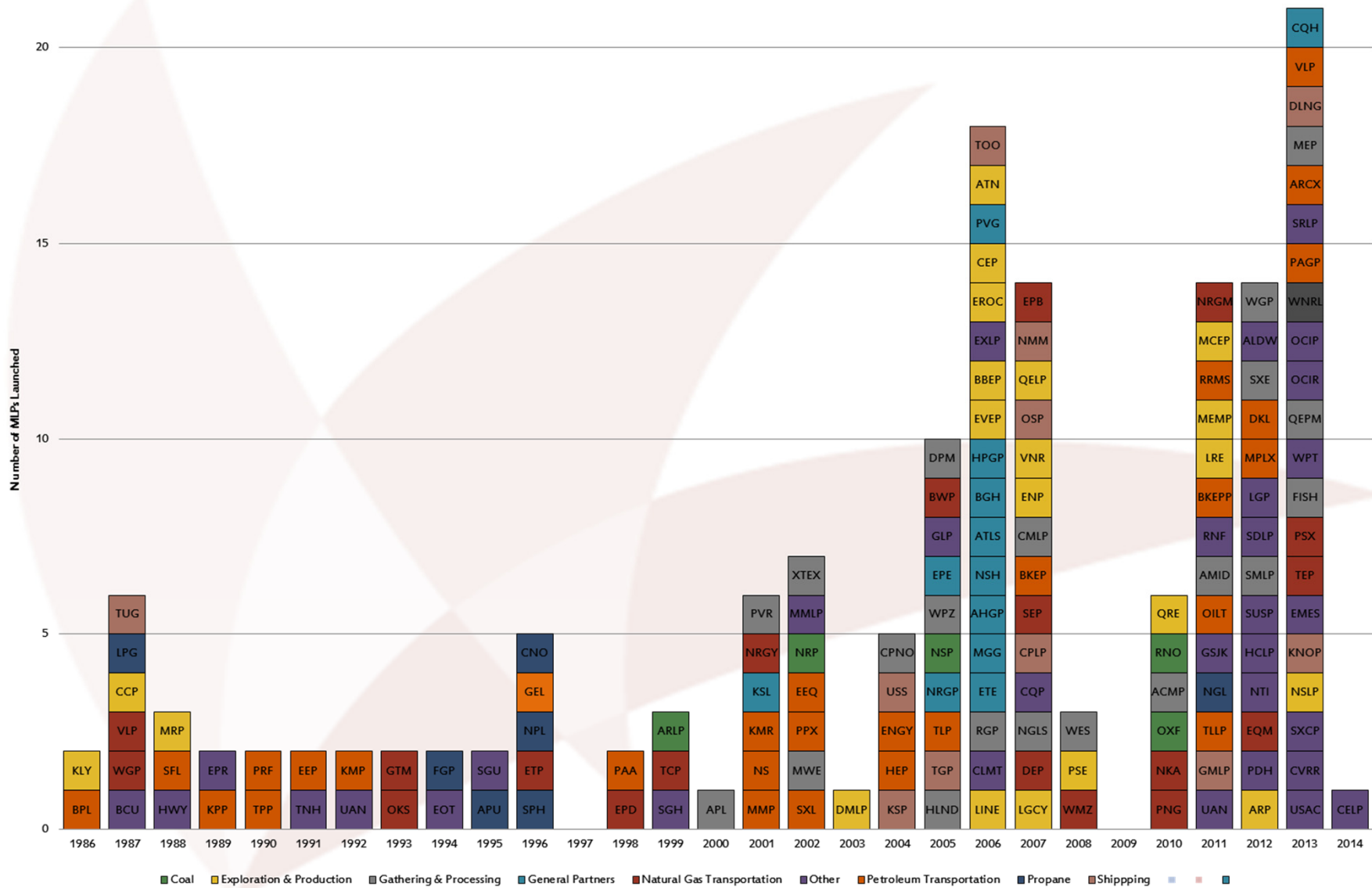
\*RIC-compliant funds hold a diverse group of investments and the tax treatment of income paid to investors may vary dramatically between funds

\*\* Except MLPL, which is 2x leveraged with monthly reset

# MLP Investment Product Decision Tree

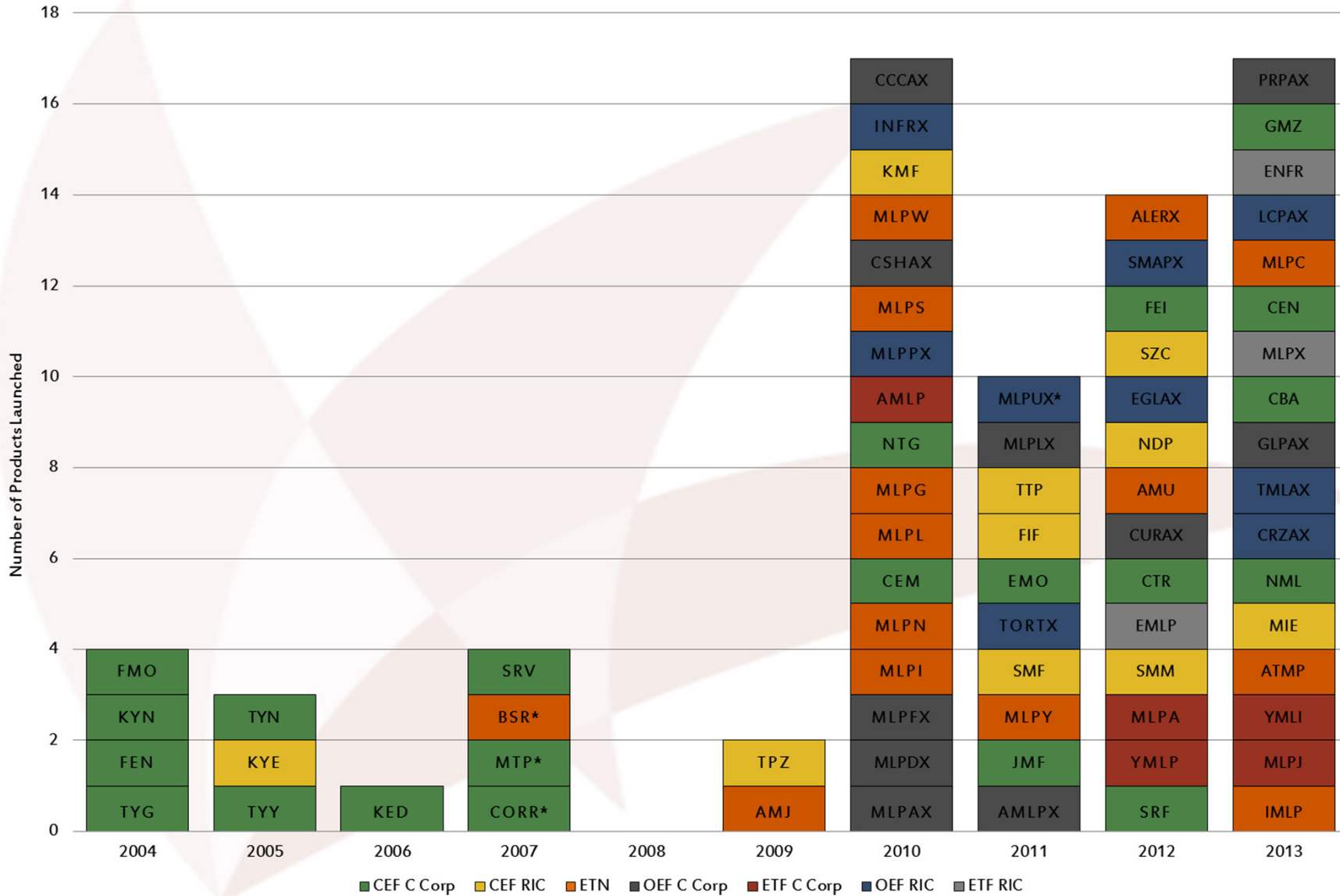


# There's More Where That Came From



Source: Alerian as of 31 December 2013

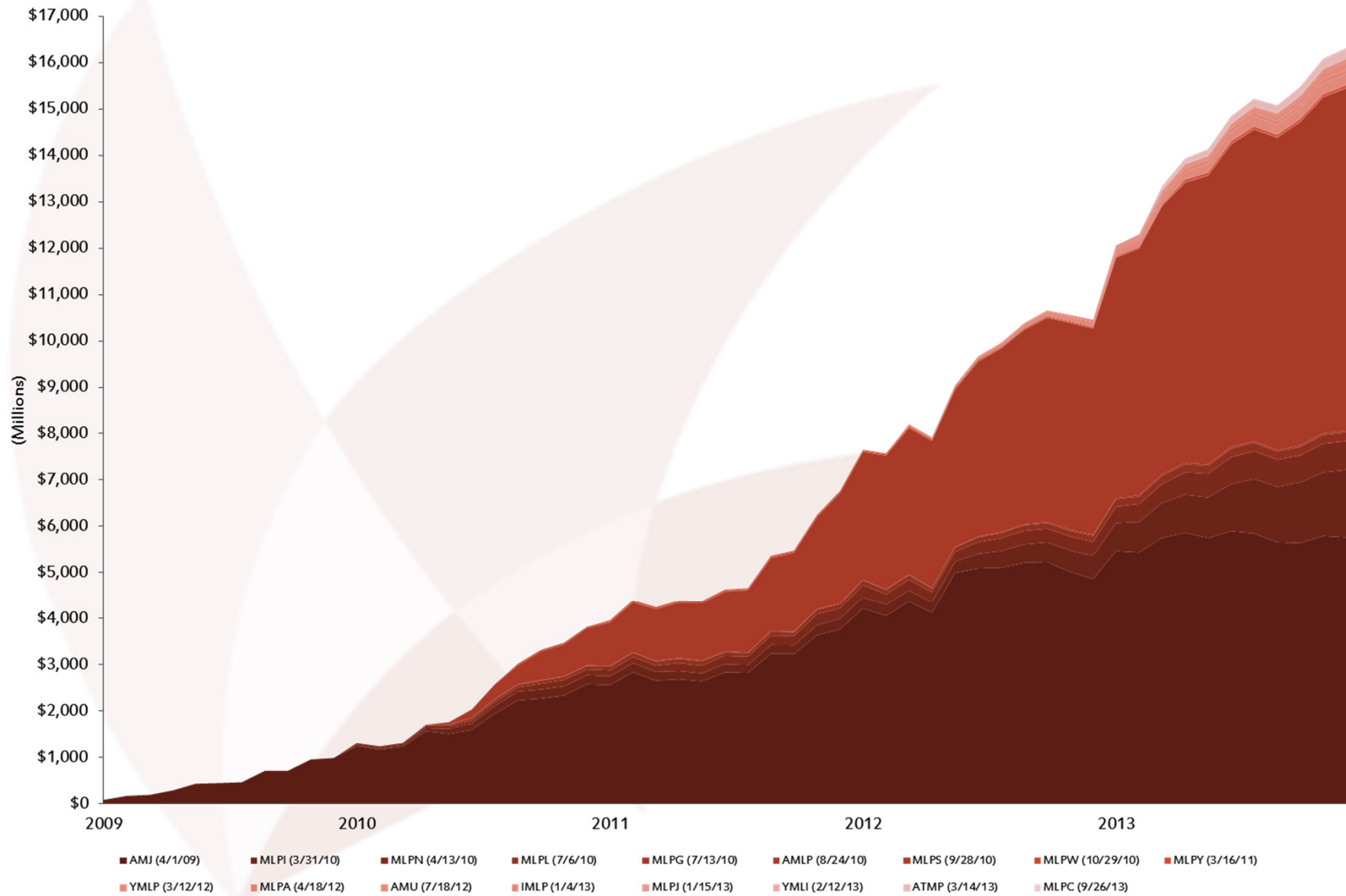
# Continued Demand for Access Products



\*Acquired, delisted, or restructured

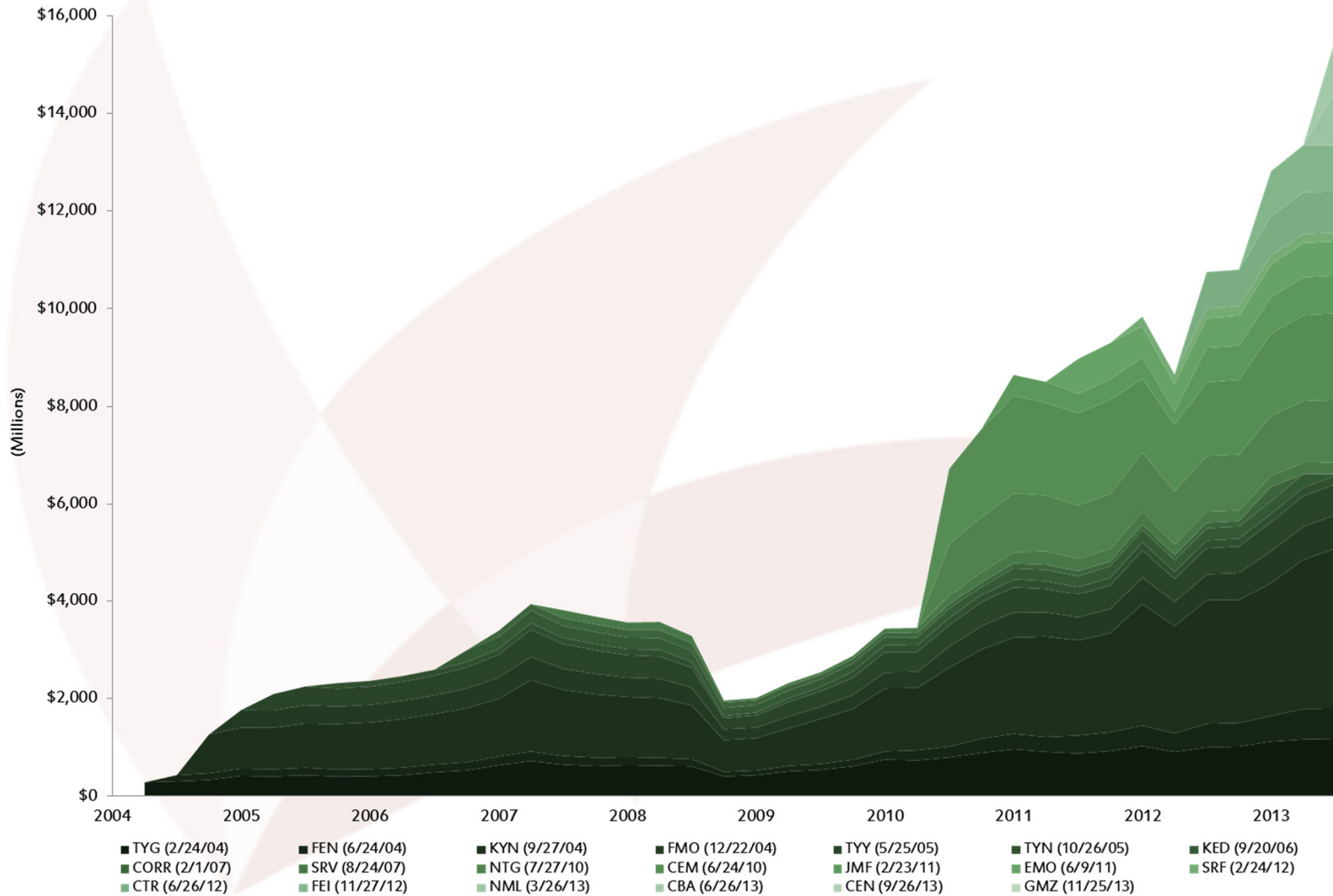
Source: Alerian as of 31 December 2013

# MLP Exchange-Traded Product Growth (AUM)



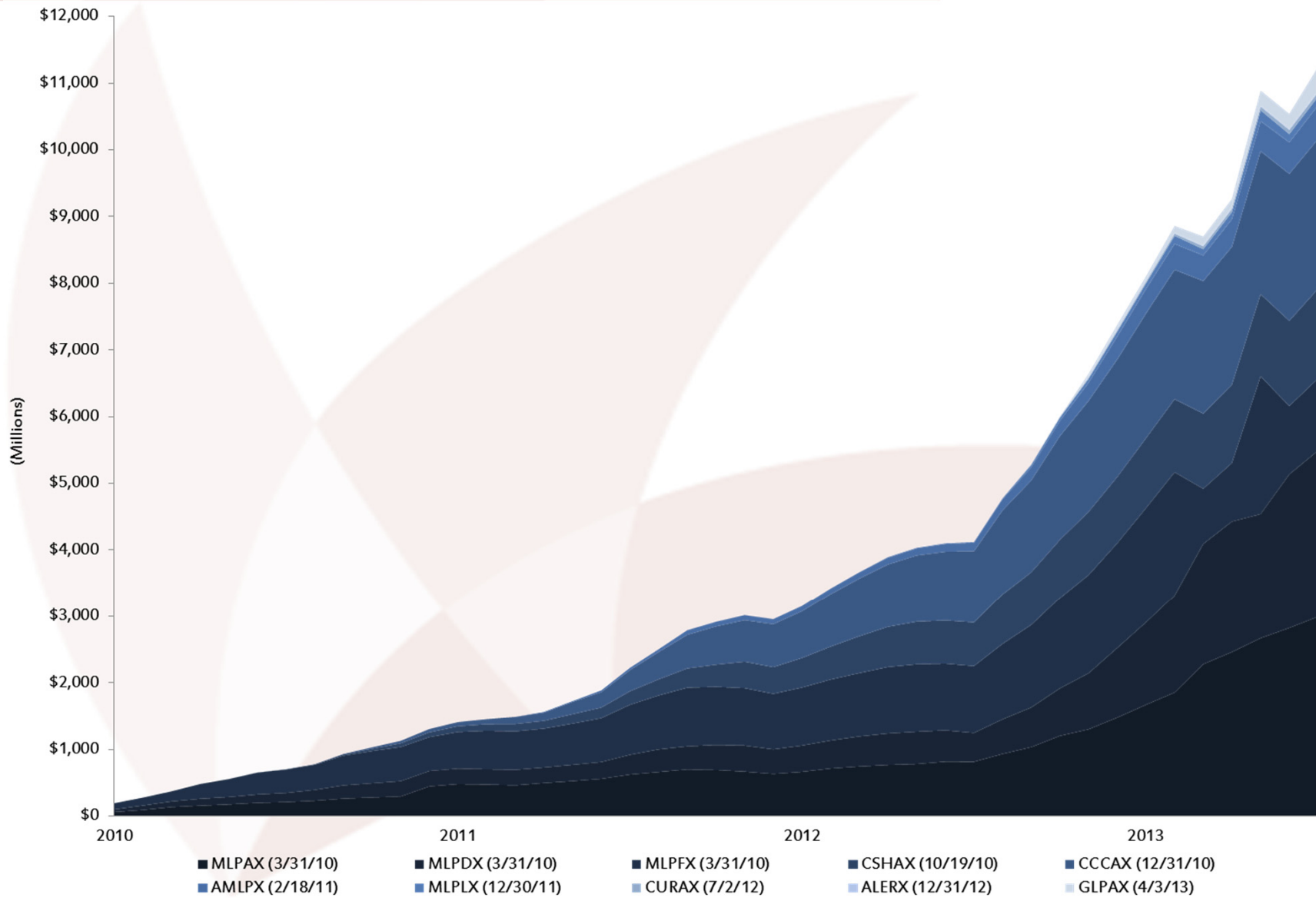
Source: Alerian as of 31 December 2013

# MLP Closed-End Fund Growth (AUM)



Source: Latest SEC Filings as of 31 August 2013

# MLP Open-End Mutual Fund Growth (AUM)



Source: Alerian as of 31 December 2013

# Active Versus Passive Management

Alerian MLP ETF (NYSE: AMLP)   AUM: \$6,223M		
Name	Ticker	% of Total Assets
Enterprise Product Partners LP	EPD	9.5%
Kinder Morgan Energy Part LP	KMP	9.1%
Energy Transfer Partners LP	ETP	7.1%
Plains All American Pipeline LP	PAA	7.0%
Magellan Midstream Partners	MMP	6.9%
Markwest Energy Partners LP	MWE	6.5%
Buckeye Partners LP	BPL	4.9%
Enbridge Energy Partners LP	EEP	4.7%
ONEOK Partners LP	OKS	4.4%
Williams Partners LP	WPZ	4.4%
<b>Total Direct Overlap with AMLP</b>		<b>100.0%</b>
<b>Total Overlap Including i-Shares (KMR, EEQ)</b>		<b>100.0%</b>
<b>Beta vs AMZI: 0.69</b>		<b>R<sup>2</sup>: 0.88</b>

MLP CEF B   AUM: \$1,755M		
Name	Ticker	% of Total Assets
Enterprise Products Partners LP	EPD	7.7%
Plains All American Pipeline LP	PAA	7.2%
Kinder Morgan Management LLC	KMR	6.5%
MarkWest Energy Partners LP	MWE	4.9%
Magellan Midstream Partners LP	MMP	4.7%
Energy Transfer Equity LP	ETE	4.5%
Access Midstream Partners LP	ACMP	4.1%
Targa Resources Partners LP	NGLS	4.0%
Energy Transfer Partners LP	ETP	3.9%
DCP Midstream Partners LP	DPM	3.8%
<b>Total Direct Overlap with AMLP</b>		<b>69.7%</b>
<b>Total Overlap Including i-Shares (KMR, EEQ)</b>		<b>76.2%</b>
<b>Beta vs AMZI: 0.88</b>		<b>R<sup>2</sup>: 0.92</b>

MLP CEF A   AUM: \$3,072M		
Name	Ticker	% of Total Assets
Enterprise Products Partners L.P.	EPD	9.2%
Plains All American Pipeline, L.P.	PAA	8.4%
Kinder Morgan Management, LLC	KMR	6.5%
MarkWest Energy Partners, L.P.	MWE	6.1%
Williams Partners L.P.	WPZ	4.5%
Regency Energy Partners LP	RGP	4.0%
ONEOK Partners, L.P.	OKS	3.9%
DCP Midstream Partners, LP	DPM	3.4%
Enbridge Energy Partners, L.P.	EEP	3.2%
El Paso Pipeline Partners, L.P.	EPB	3.1%
<b>Total Direct Overlap with AMLP</b>		<b>64.6%</b>
<b>Total Overlap Including i-Shares (KMR, EEQ)</b>		<b>71.3%</b>
<b>Beta vs AMZI: 0.58</b>		<b>R<sup>2</sup>: 0.78</b>

MLP CEF C   AUM: \$1,167M		
Name	Ticker	% of Total Assets
Magellan Midstream Partners, L.P.	MMP	8.5%
Plains All American Pipeline, L.P.	PAA	7.6%
Enterprise Products Partners L.P.	EPD	7.1%
Sunoco Logistics Partners L.P.	SXL	6.2%
El Paso Pipeline Partners, L.P.	EPB	4.8%
Kinder Morgan Management, LLC	KMR	4.8%
Boardwalk Pipeline Partners, LP	BWP	4.6%
Energy Transfer Partners, L.P.	ETP	4.3%
Access Midstream Partners, L.P.	ACMP	4.2%
Regency Energy Partners LP	RGP	4.1%
<b>Total Direct Overlap with AMLP</b>		<b>71.9%</b>
<b>Total Overlap Including i-Shares (KMR, EEQ)</b>		<b>76.7%</b>
<b>Beta vs AMZI: 1.1</b>		<b>R<sup>2</sup>: 0.86</b>

Source: SEC Filings as of 31 May 2013



# Know What You're Buying

## 25% MLPs

- Despite the name, some funds have only 25% MLPs
- RIC compliance
- Structured as C corporation or M corporation

## 75% Other\*

- Redundant exposure via MLP affiliates and MLP debt
- Other: Utilities, Power, E&P, Refining, Offshore Drilling, Shipping, Renewable
- Fund of funds, owning other MLP products

## Impact on Returns

- Lower yields
- Performance deviation from the MLP sector
- Excess fees from ownership of other funds

\*RIC Compliant Funds: EGLAX, EMLP, FIF, INFRX, KMF, KYE, MIE, MLPX, MLPPX, MLPUX, NTG, SMAPX, SMF, SMM, SRV, TORTX, TTP, TYG, TYY, TMLAX

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- ◆ Appendix

## Speaker Bios

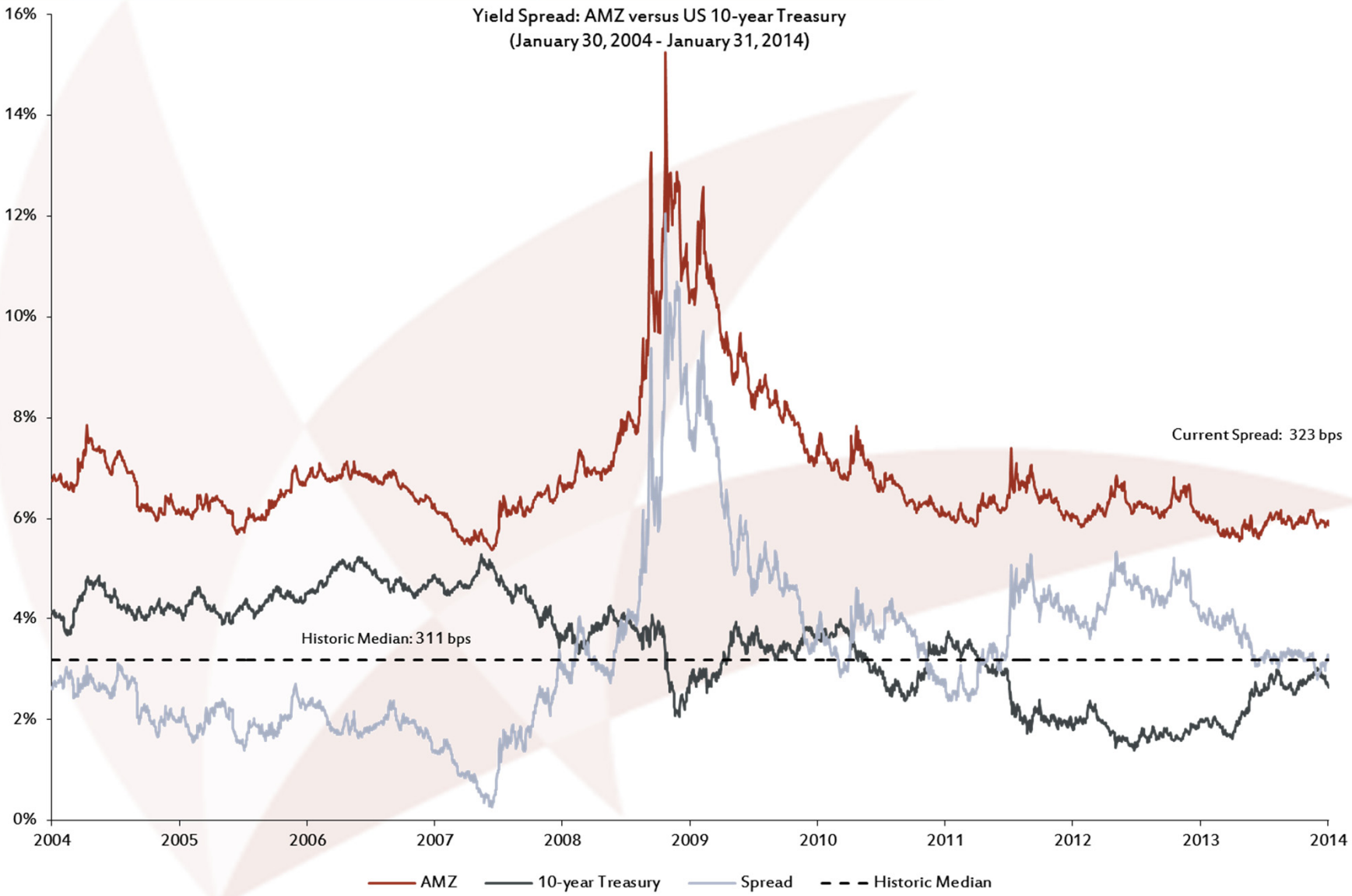


**Emily Wang, CPA** is a Director at Alerian. Ms. Wang is responsible for managing relationships with investors, MLPs, licensees, and the media. She also oversees Alerian's marketing campaigns and develops business strategies for the Alerian Index Series. Ms. Wang was previously with Raymond James & 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. Wang 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 a Director at Alerian. Ms. Halmo leads the firm's MLP and energy industry research efforts, monitoring partnership filings, legislative and regulatory activity, and macro developments. She also oversees investor and media outreach, as well as Alerian's public interactions. 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. Previously, Ms. Halmo was an Associate at Gradient Partners LP. Ms. Halmo graduated with a Bachelor of Arts in Astrophysics from Barnard College of Columbia University.

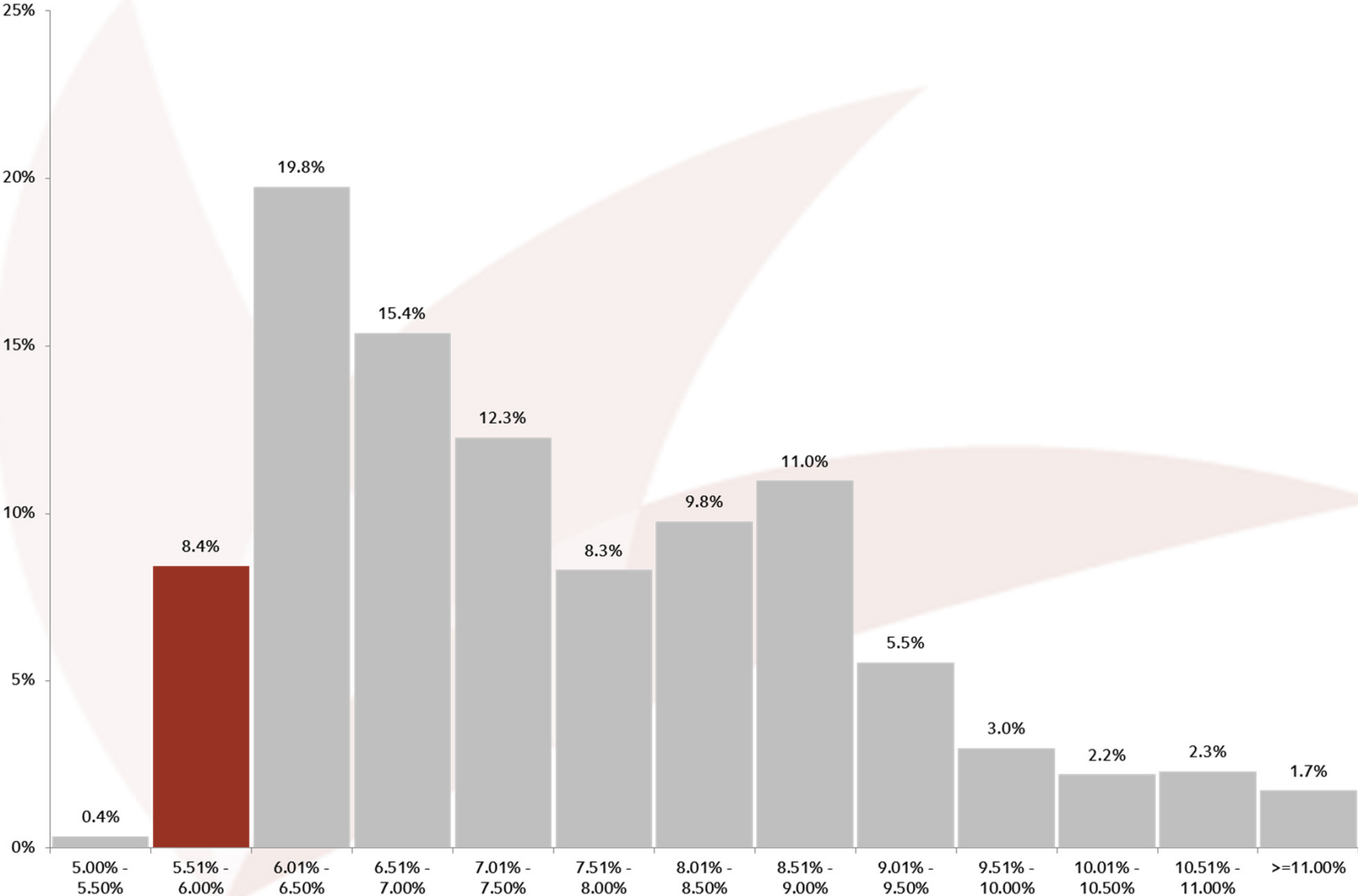
# AMZ Yield Spread to 10-year Treasury



Source: Alerian as of 31 January 2014



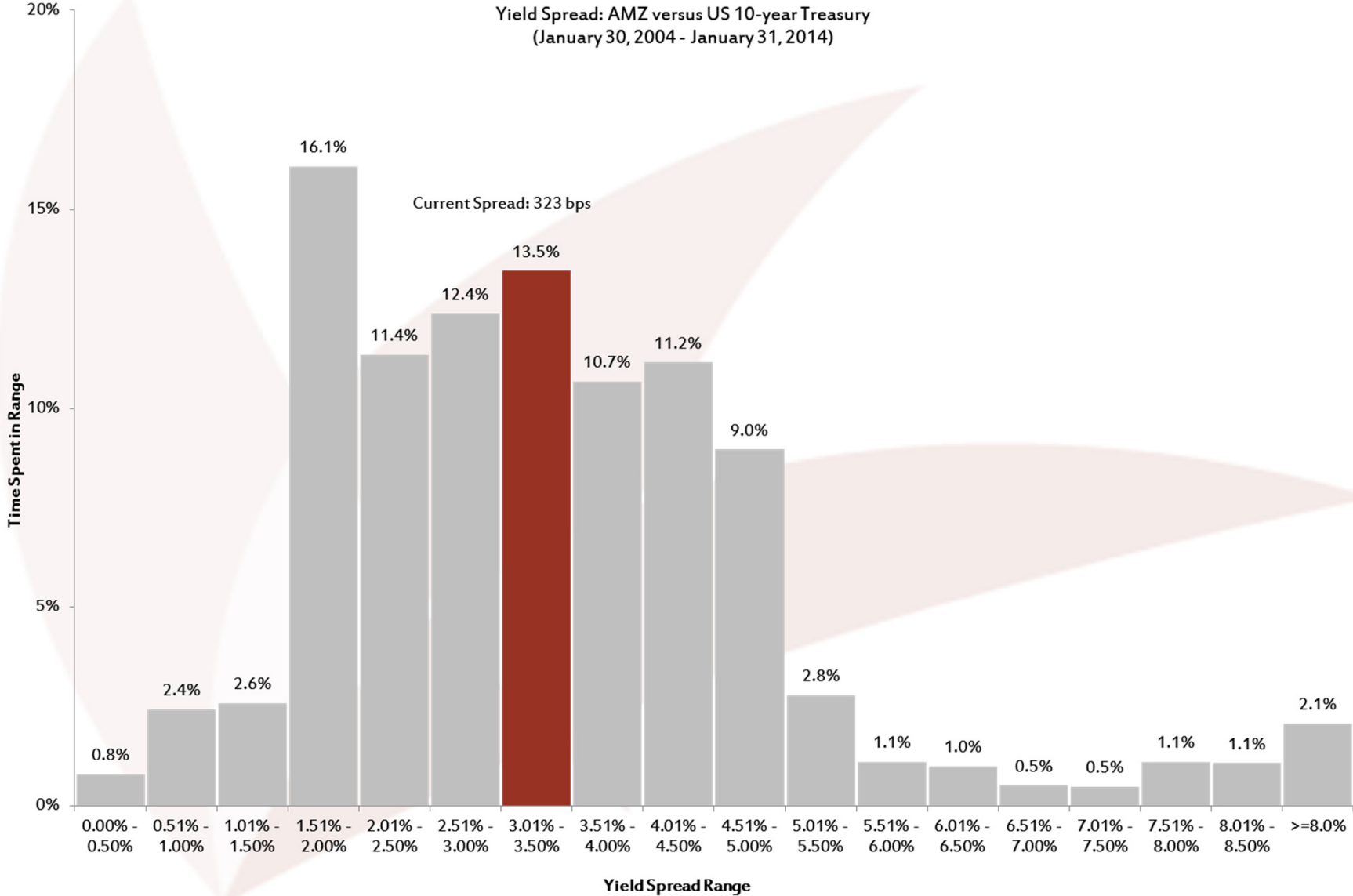
# AMZ Yield Distribution Since Inception



Source: Alerian as of 31 January 2014



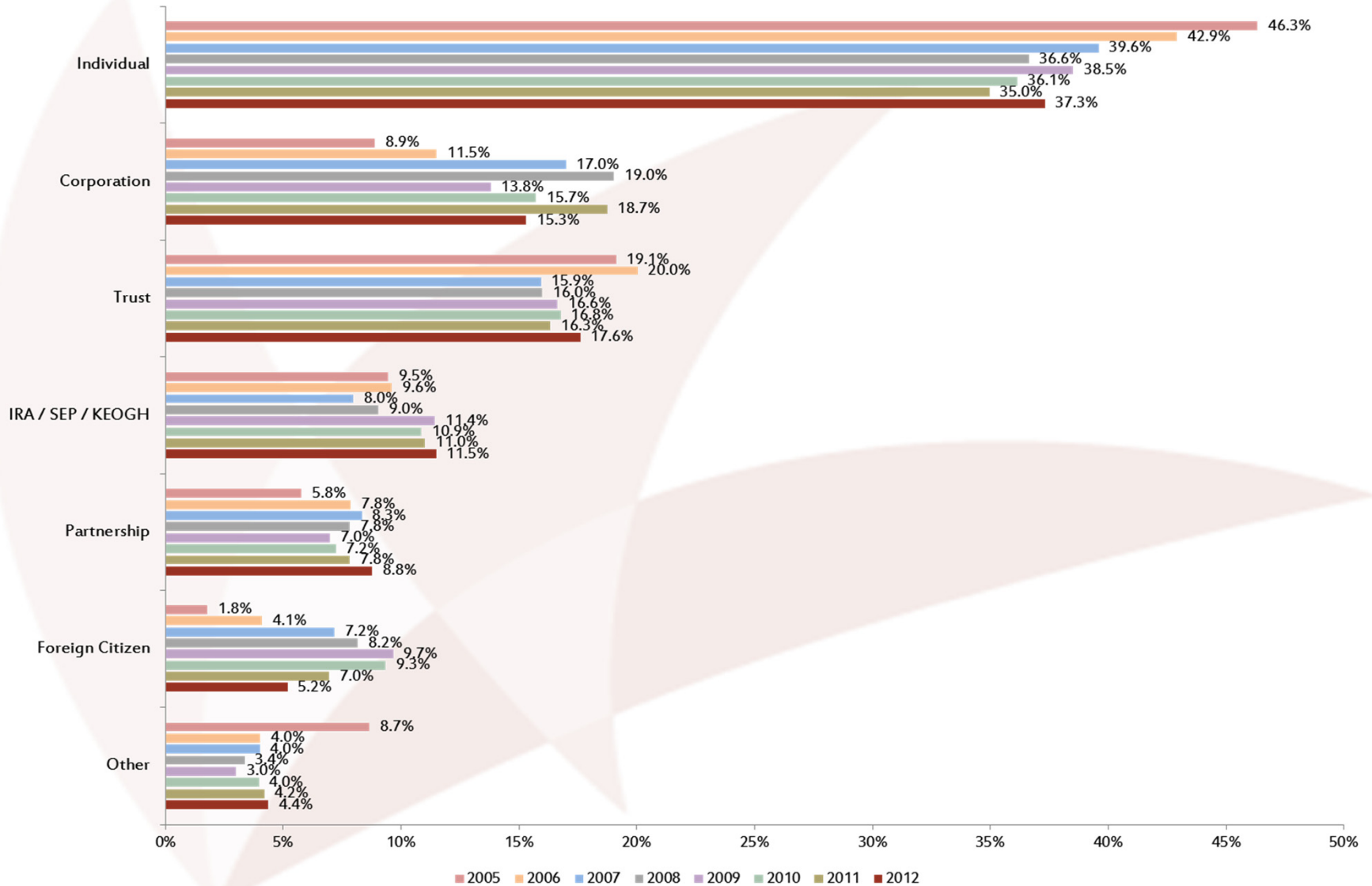
# AMZ Yield Spread Distribution



Source: Alerian as of 31 January 2014



# Foreign and Institutional Investment Has Grown



Source: PwC as of 31 December 2012

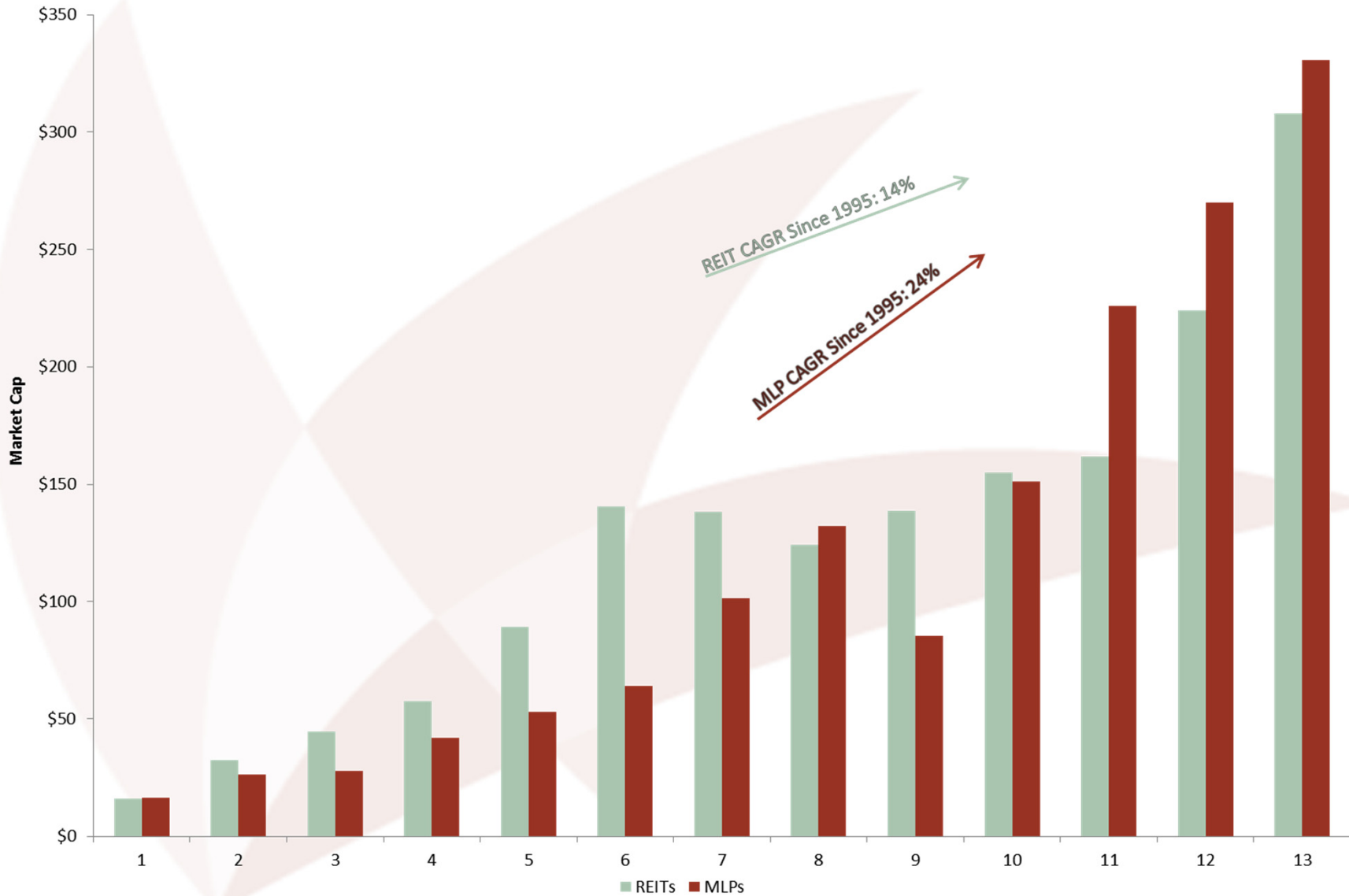
# MLP Sensitivity to Interest Rates Possibly Overstated?



Source: Alerian as of 31 January 2014



# MLP Growth Accelerating Faster Than REIT Growth



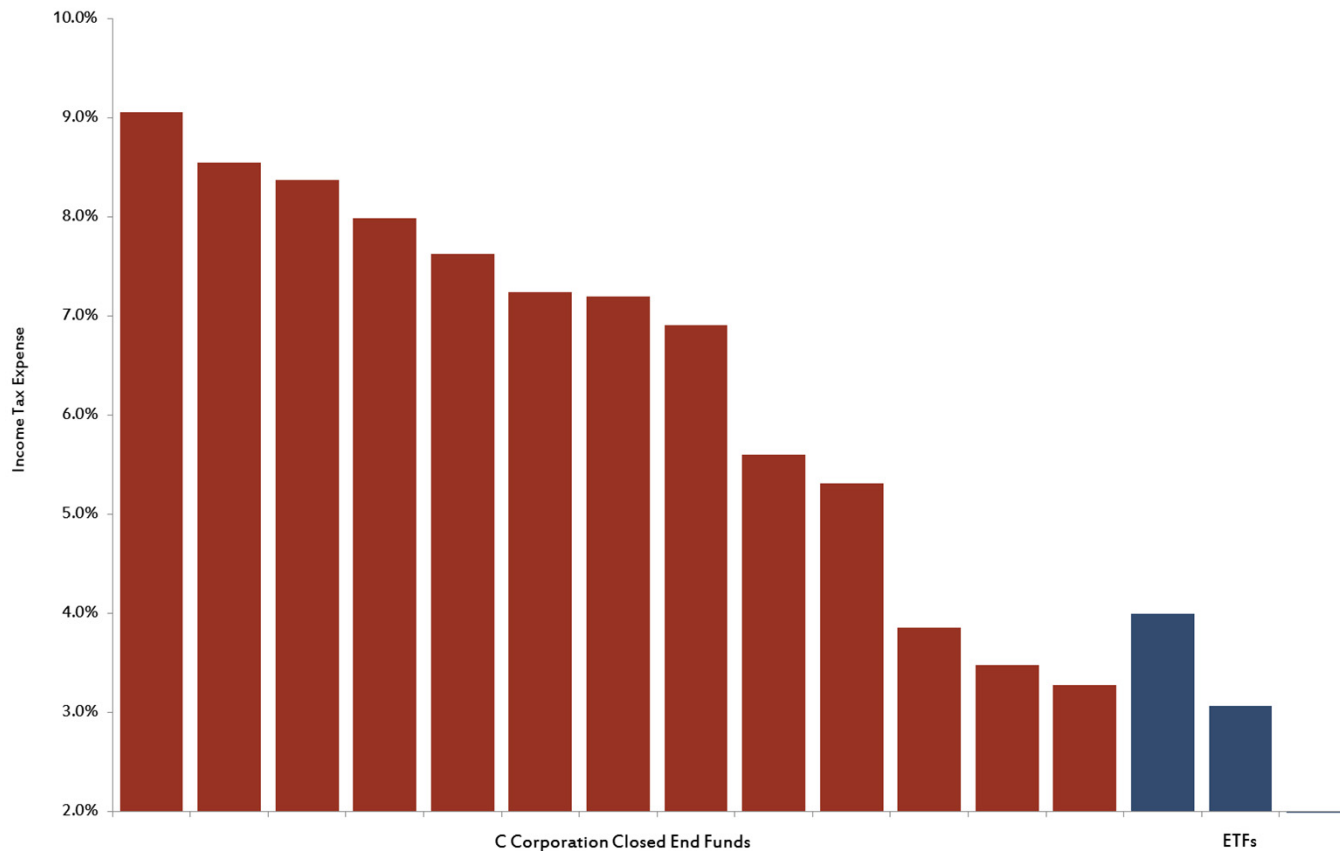
\$15 billion is the beginning cut off for each asset class and the basis for growth comparison  
 REITs reached this level in 1992 while MLPs reached this level in 2000

Source: Alerian

# No Such Thing as a Good Tax

## Tax Man

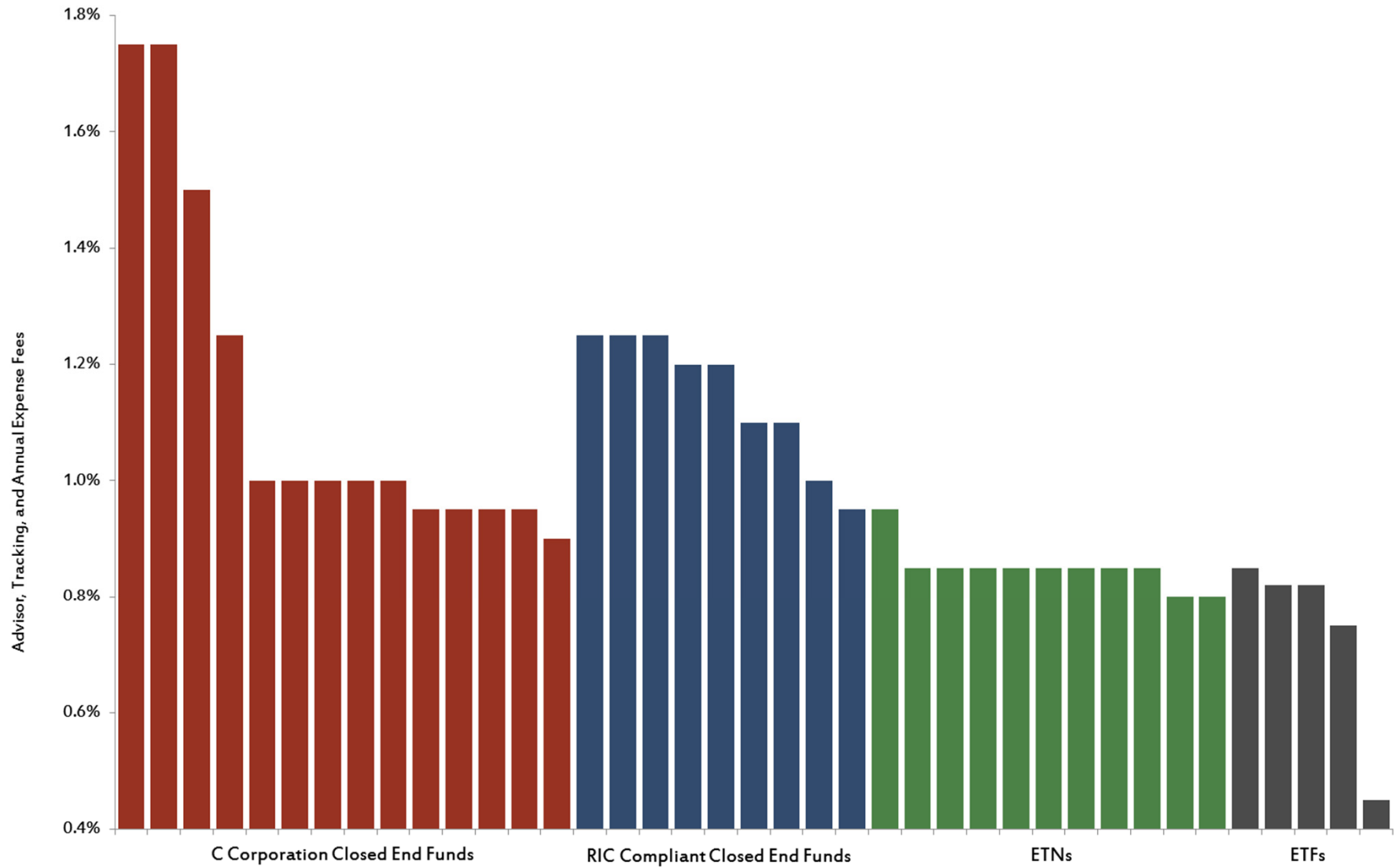
- Deferred tax liability reduces volatility and dampens returns
- CEF and ETF distributions taxed at qualified dividend rates
- ETN distributions taxed at ordinary income tax rates



Does not include funds launched after 11/30/12 where SEC data is not available

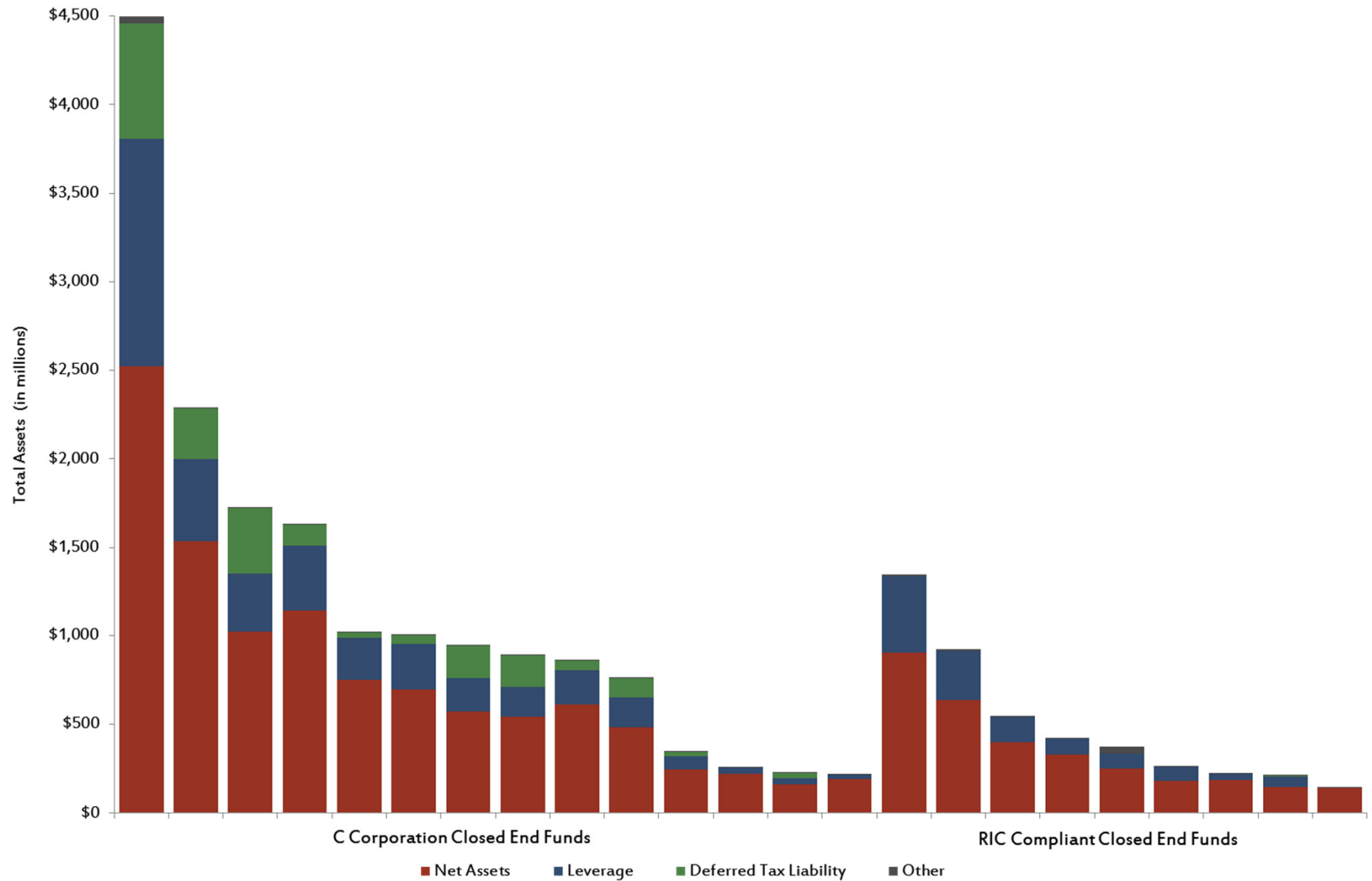
Source: SEC Filings for year ending 30 November 2012

# Getting What You Pay For



Source: SEC Filings as of 28 March 2013

# Leverage Enhances Returns (and Risk)



Source: SEC Filings as of 28 March 2013