



Real Assets for Real Returns

Investing in Master Limited Partnerships

Kenny Feng, President & CEO, Alerian
ValueConferences Equity Income Summit, 7 August 2013

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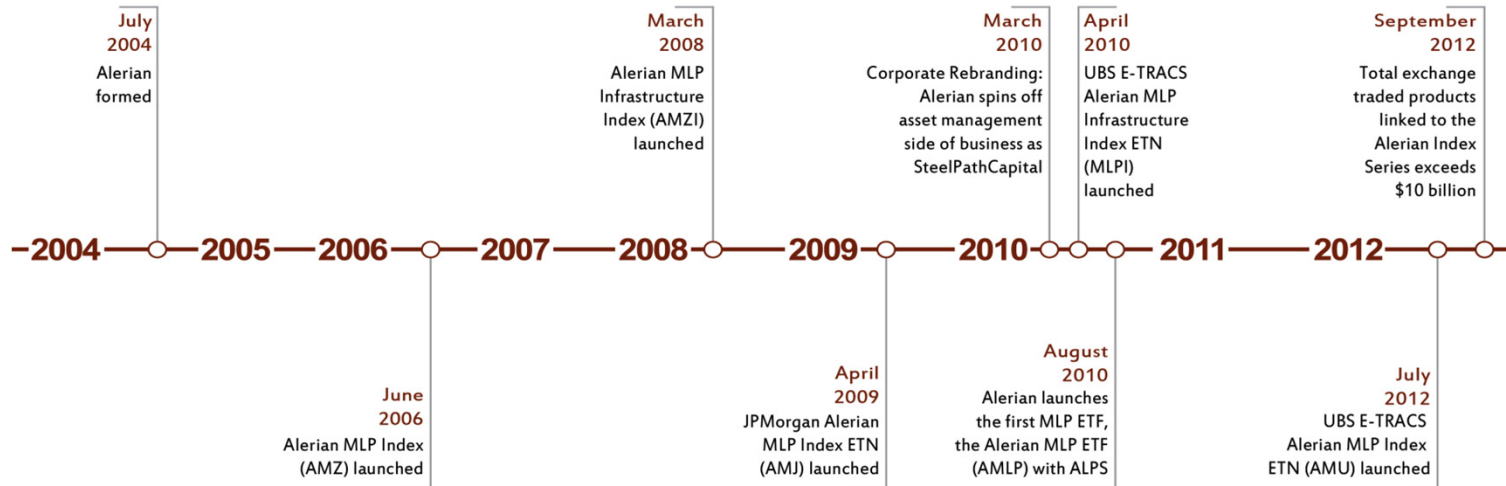
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About Alerian

Market intelligence provided through industry-leading benchmarks and analytics

Alerian launched the first real-time MLP index

Over \$14 billion is directly linked to the Alerian Index Series



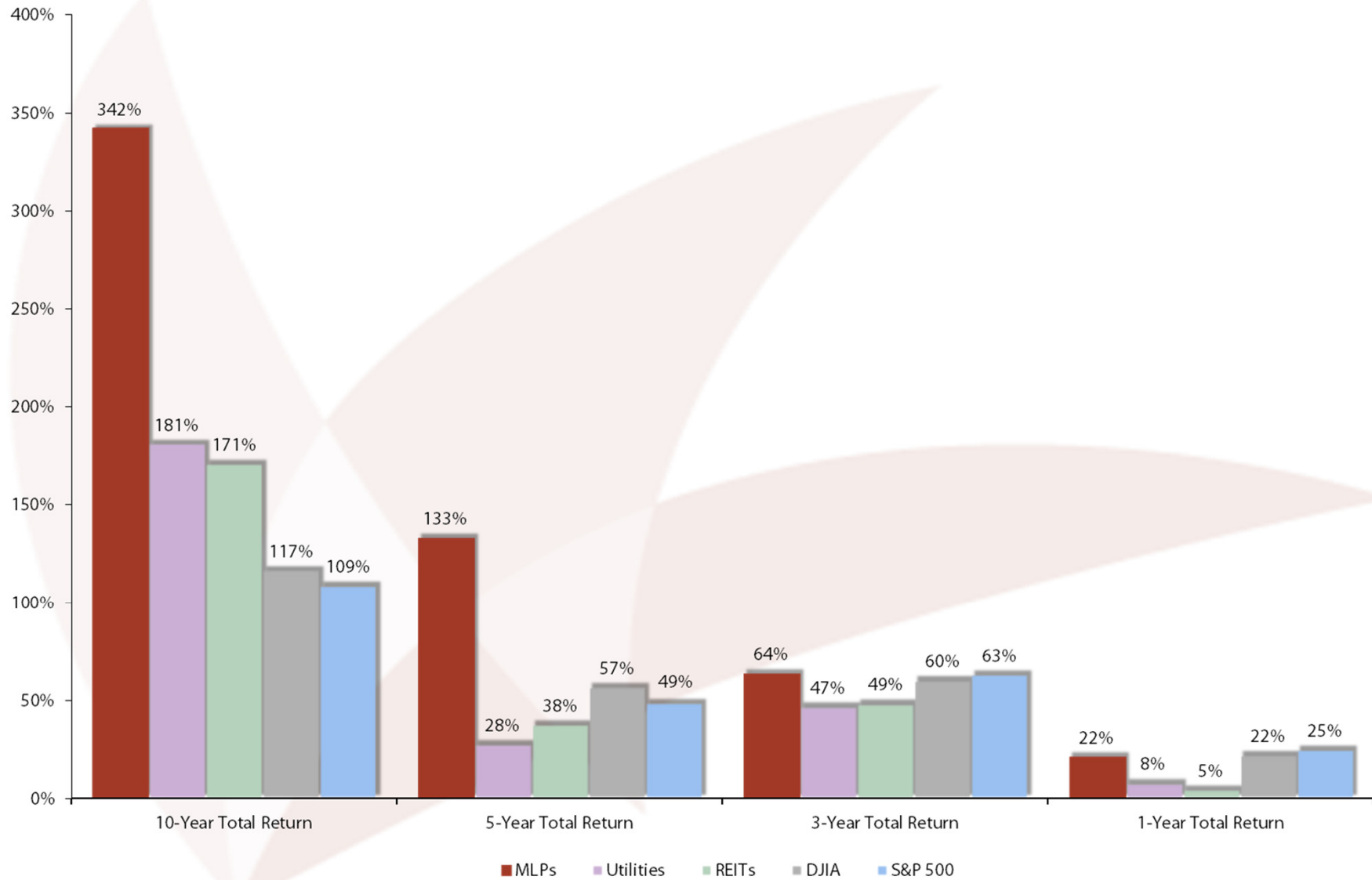
Source: Alerian as of 06/28/2013

MLPs Outperform Other Sectors Historically



Source: Bloomberg as of 07/31/2013

MLPs Outperform Other Sectors Historically



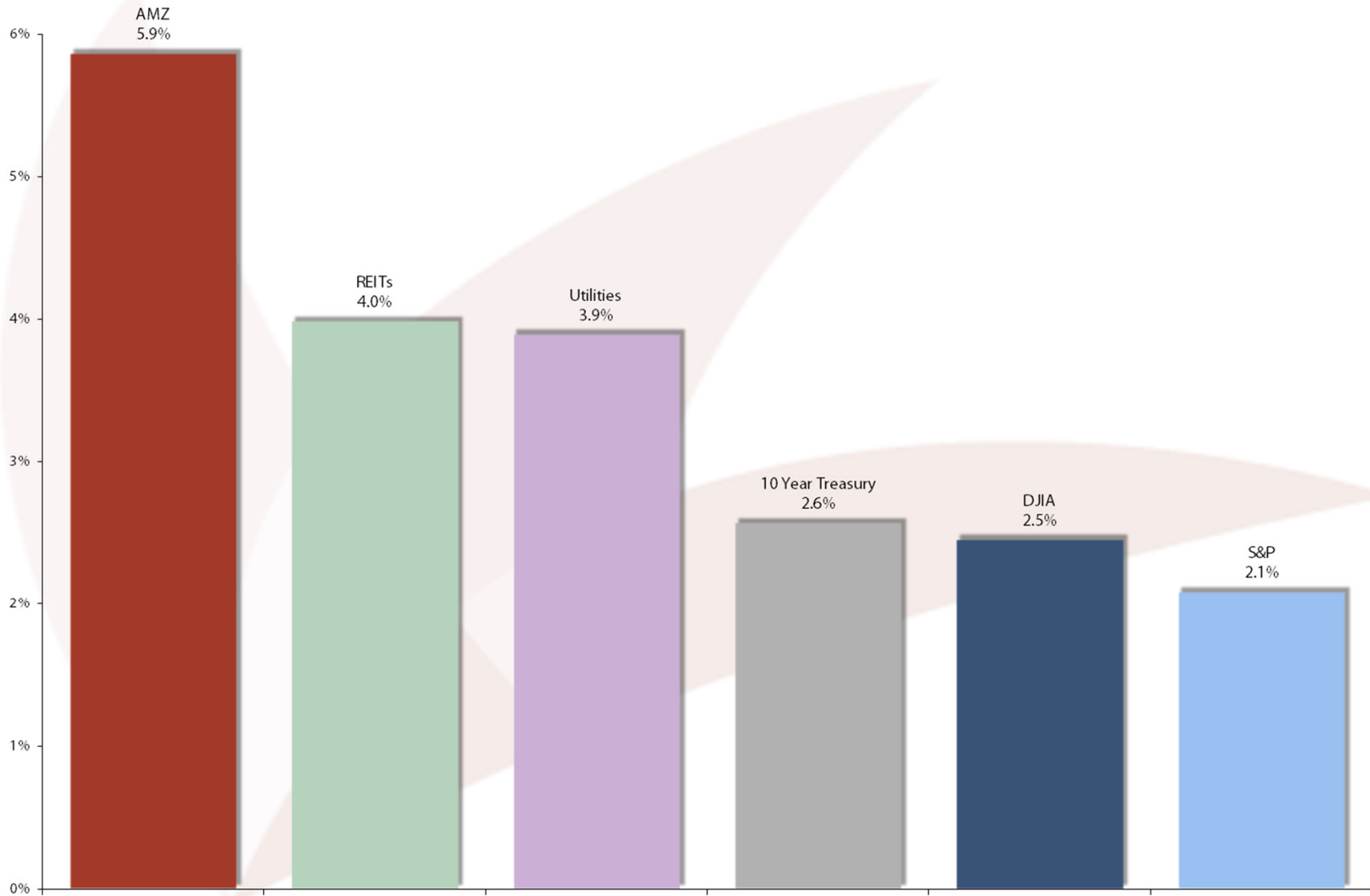
Source: Bloomberg as of 07/31/2013

The Chemistry of MLPs

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Annualized
Small Cap 47.3%	REITs 35.0%	Commodities 25.6%	REITs 35.6%	Commodities 32.7%	Utilities -28.9%	MLPs 76.4%	MLPs 35.9%	Utilities 19.9%	REITs 18.0%	MLPs 16.5%
MLPs 44.5%	Utilities 24.3%	Utilities 16.8%	Non-US Equity 26.3%	Utilities 19.4%	DJIA -31.9%	Non-US Equity 31.8%	Small Cap 26.9%	MLPs 13.9%	Non-US Equity 17.3%	REITs 12.0%
Non-US Equity 38.6%	Non-US Equity 20.2%	REITs 13.7%	MLPs 26.1%	MLPs 12.7%	Small Cap -33.7%	REITs 27.6%	REITs 26.7%	REITs 9.4%	Small Cap 16.3%	Utilities 10.4%
REITs 36.3%	Small Cap 18.3%	Non-US Equity 13.5%	Utilities 21.0%	Non-US Equity 11.2%	MLPs -36.9%	Small Cap 27.2%	S&P 500 15.1%	DJIA 8.4%	S&P 500 16.0%	Small Cap 9.7%
S&P 500 28.7%	Commodities 17.3%	MLPs 6.3%	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 Equity 8.2%
DJIA 28.3%	MLPs 16.6%	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%	MLPs 4.8%	DJIA 7.3%
Utilities 26.3%	S&P 500 10.9%	Small Cap 4.6%	S&P 500 15.8%	Small Cap -1.5%	Non-US Equity -43.3%	Commodities 13.5%	Non-US Equity 7.8%	Small Cap -4.1%	Utilities 1.3%	S&P 500 7.1%
Commodities 20.7%	DJIA 5.3%	DJIA 1.7%	Commodities -15.0%	REITs -16.3%	Commodities -46.4%	Utilities 11.9%	Utilities 5.5%	Non-US Equity -12.1%	Commodities 0.1%	Commodities 2.7%

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.

MLPs Offer an Attractive Relative Yield



Source: Bloomberg as of 07/31/2013

EXTRA! EXTRA! Read All About MLPs!

Market Week Pullout Dow Surges Friday to End the Week Flat; Some Silver Linings Page M3

BARRON'S

Oil-Sands Play:
Why Suncor
Could Rise 30%
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The Dow Jones Business and Financial Weekly Vol. XCIII No. 8 barrons.com February 25, 2013 \$5.00

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From jeans to Vans,
North Face, Timberland

Special Report on MLPs

HOW TO GET 6%

Hungry for income, investors are flocking to master limited partnerships. Our experts pick the best MLPs and advise caution on those involved in refining, drilling and fertilizers.



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Source: Barron's as of 02/25/2013

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
- More competitive cost of capital than traditional C corporations

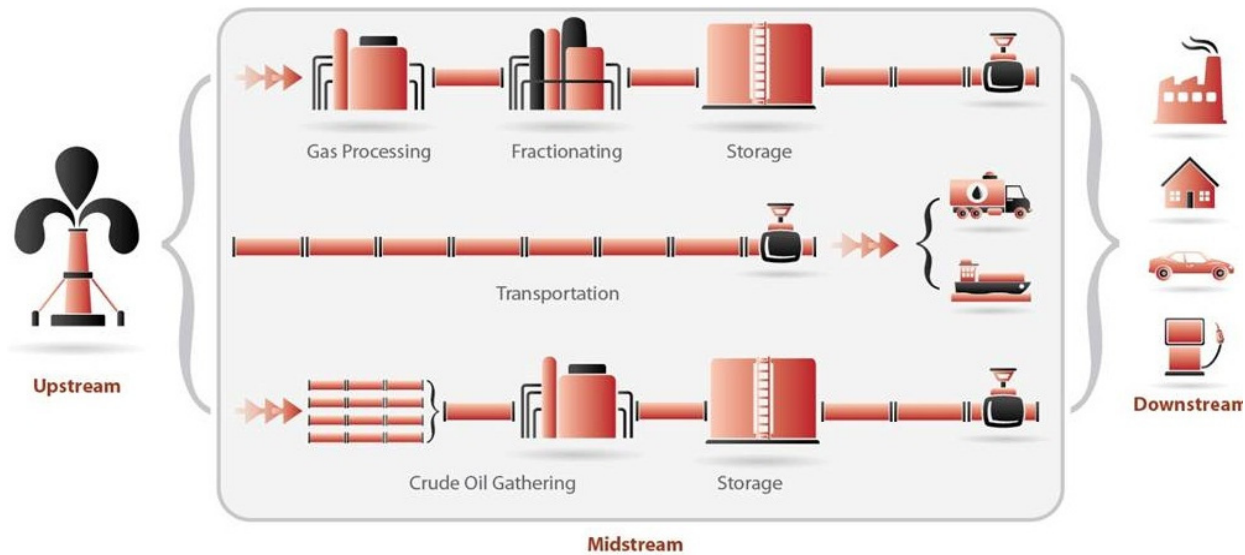
Growing Asset Class

- 2002: 25 MLPs with \$27 billion in market capitalization
- 2013: 99 MLPs with \$412 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)

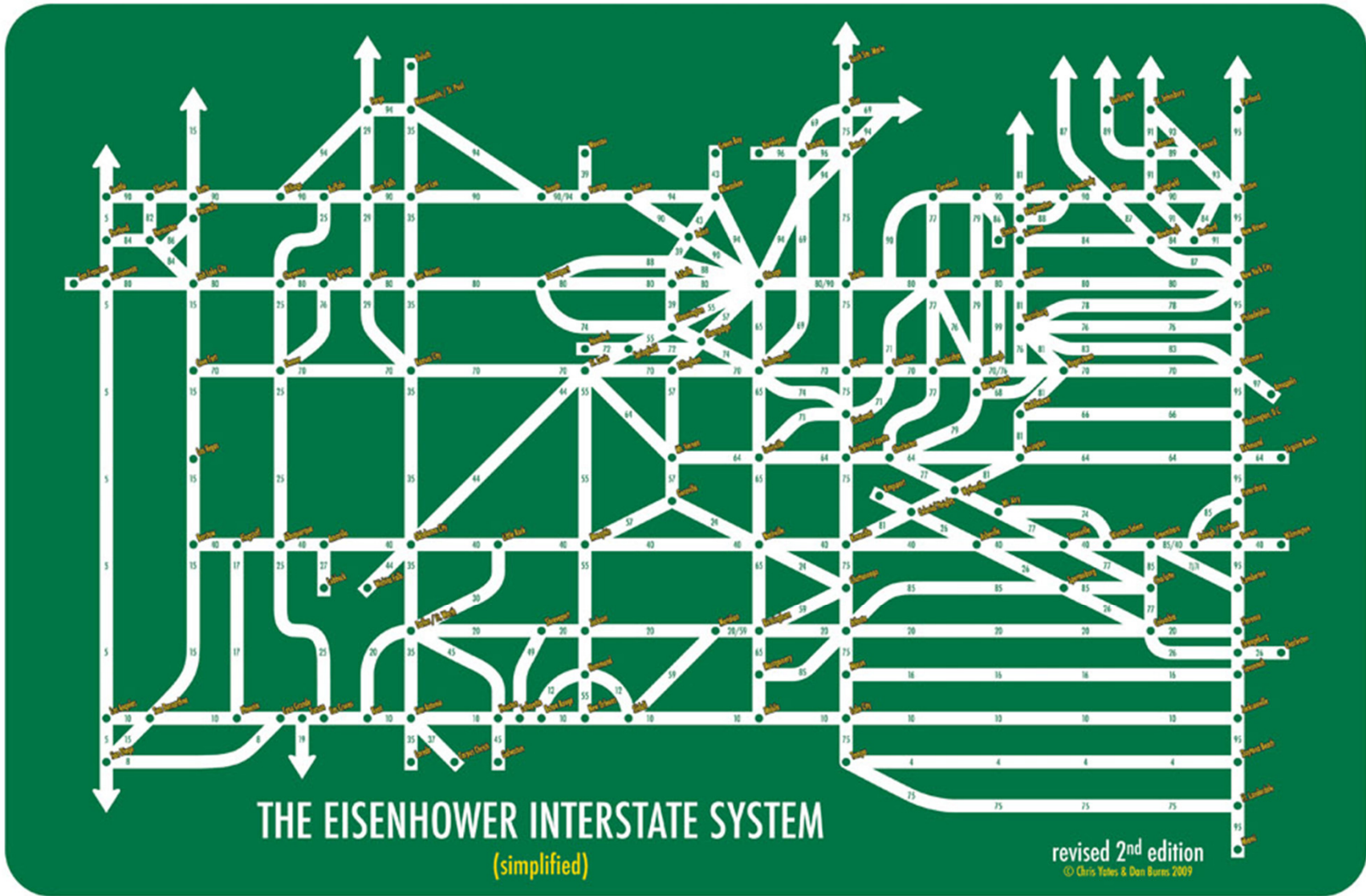
Toll-Road Business Models

The Dallas North 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



Eisenhower Created Suburbia



Lower Cash Flow Volatility Than REITs



Both REITs and MLPs own physical, long-lived assets with entity-level taxation benefits

Revenue for REITs varies and is exposed to economic cycles and downturns

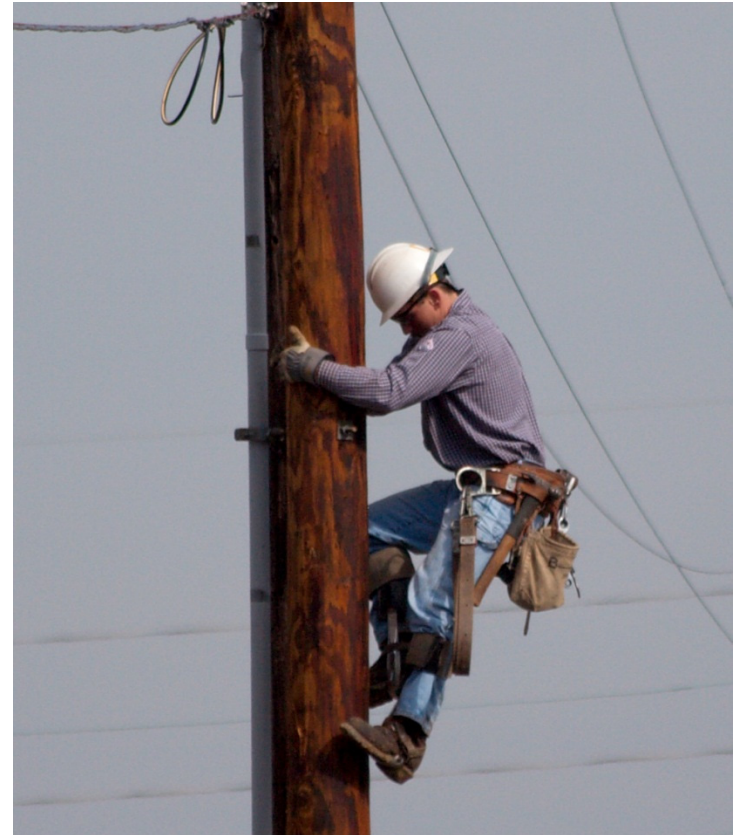
Revenue for MLPs is tied to inelastic energy demand and mandated tariff increases

More Benign Regulatory Framework Than Utilities

Utilities and MLPs both have regional monopoly footprints and benefit from inelastic energy demand and high operating leverage

Regulation for Utilities is localized, political, and antagonistic to utility corporations

Regulation for MLPs happens at the federal level and is more benign



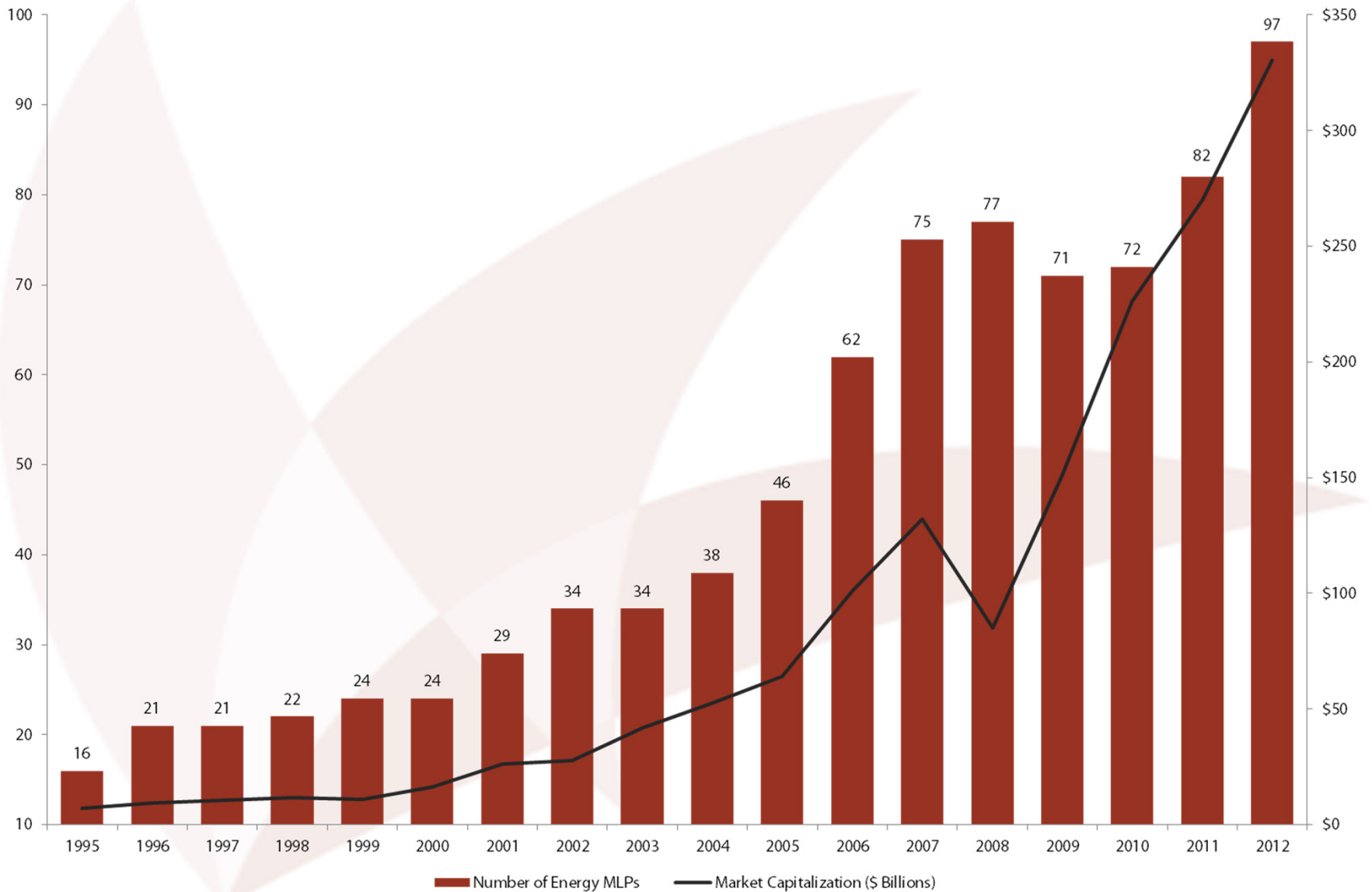
Legislative Support Unlike Canadian Royalty Trusts



Current tax legislation supporting the MLP structure was written to encourage the build out of energy infrastructure

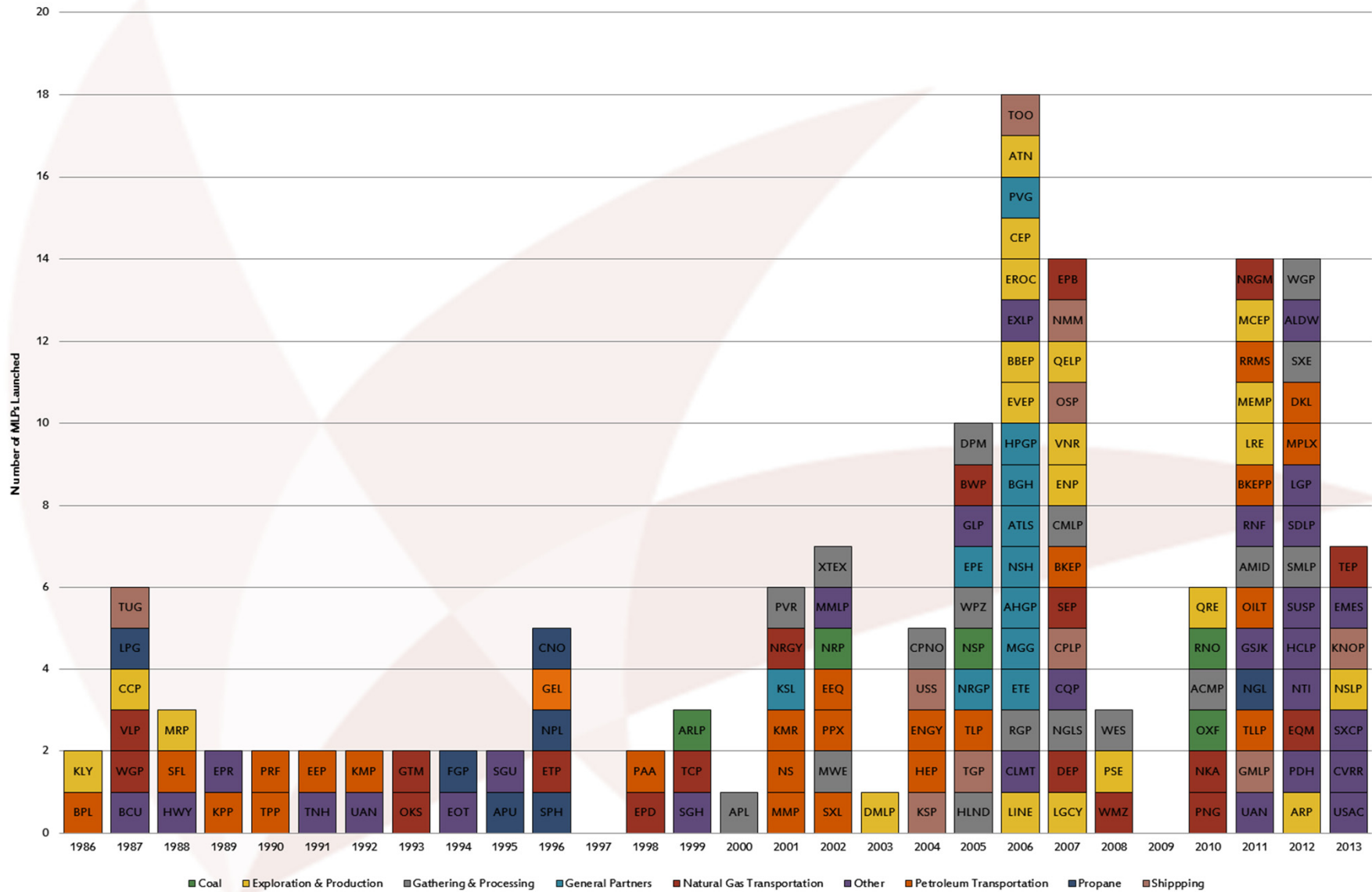
The U.S. Congressional Joint Committee on Taxation calculated that the revenue the country would gain by taxing MLPs at the entity level would be \$1.4 billion a year, or 0.1% of the current national deficit

No Longer an Emerging Asset Class



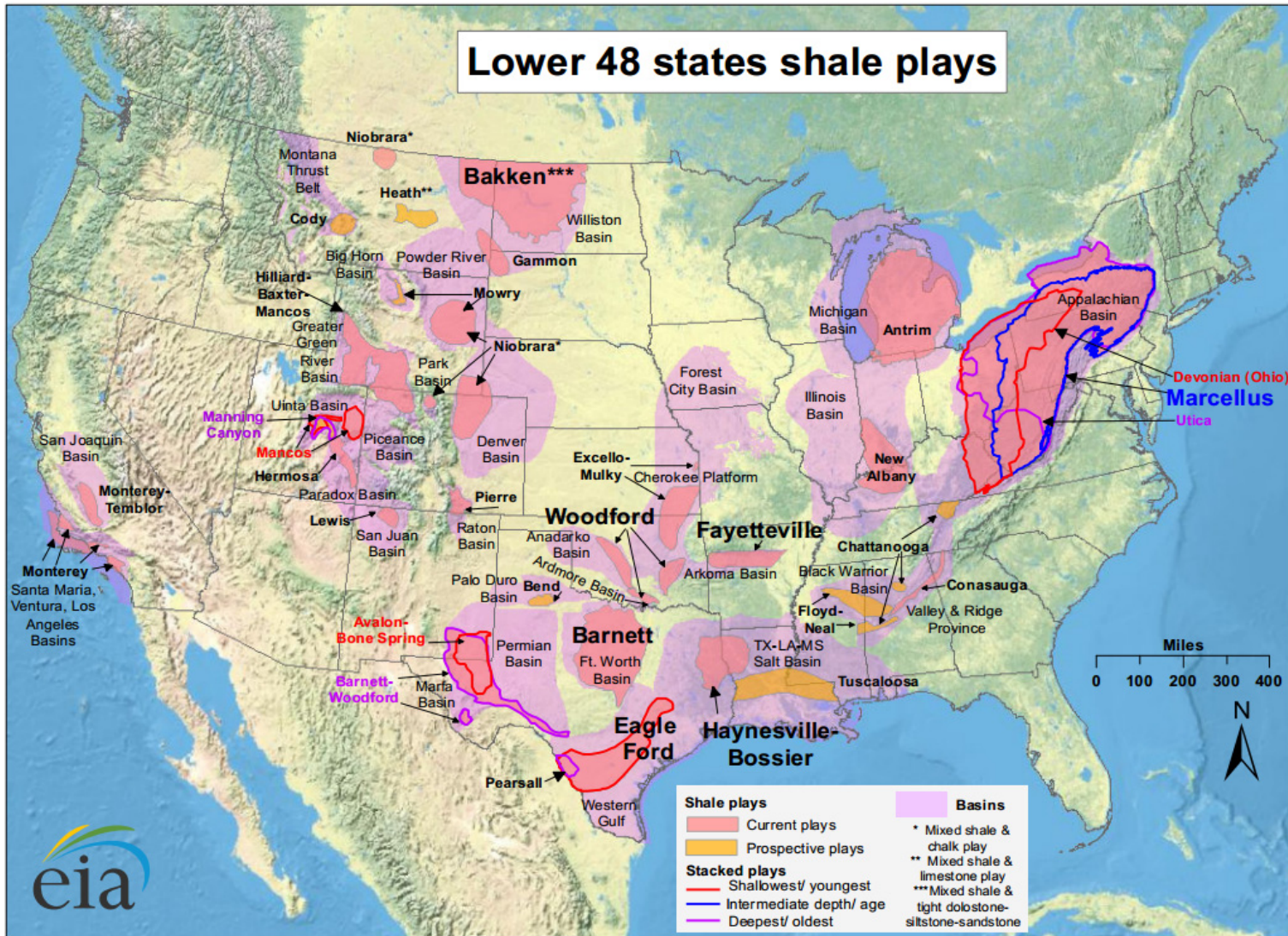
Source: Bloomberg as of 12/31/2012

There's More Where That Came From



Source: Alerian as of 06/28/2013

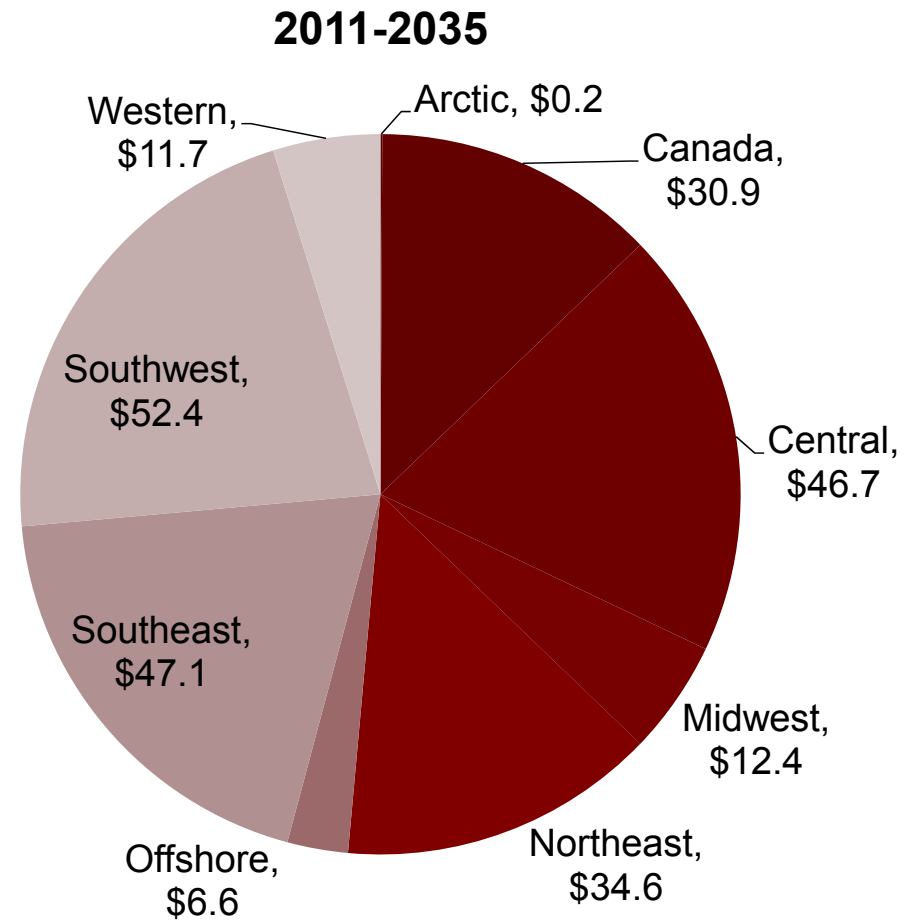
New Supply Centers, New Infrastructure Investment



Source: EIA as of 5/9/2011

New Infrastructure Investment to Spur MLP Growth

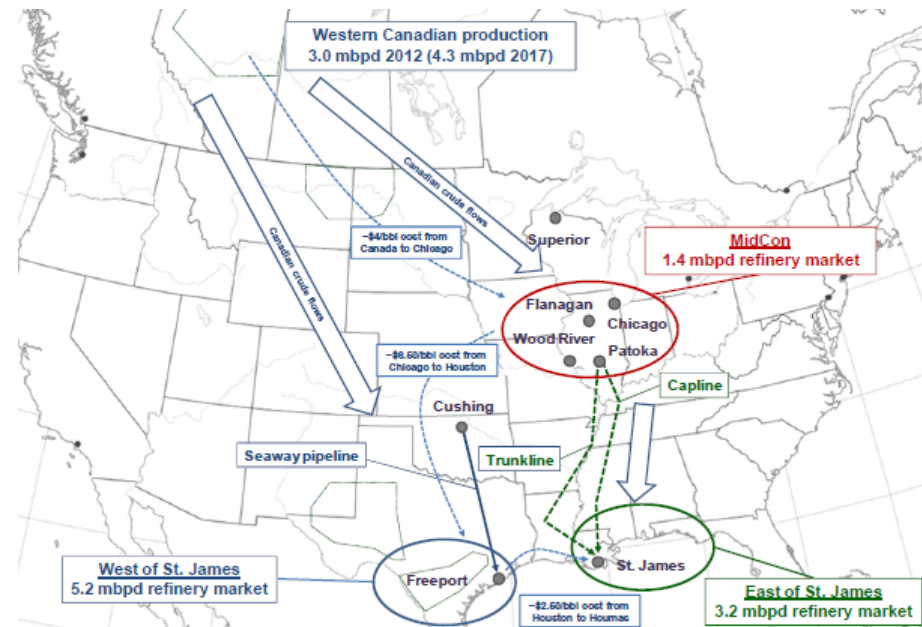
The Interstate Natural Gas Association of America (INGAA) estimates that \$240 billion will need to be invested in North American infrastructure over the next 25 years



Repurposing Pipelines to Address Bottlenecks

- **Cushing / Mid-Continent region needs de-bottlenecking**

- Seaway (EPD, ENB) first to reverse: built as crude line, converted to natural gas in 1984, converted back to crude in 1996, reversed to flow north-to-south in 2012
- Proposed projects:
 - Capline (PAA, MPC, BP) crude oil pipeline reversal from Patoka, IL to St. James, LA
 - Trunkline (ETP, ENB) natural gas to crude conversion project



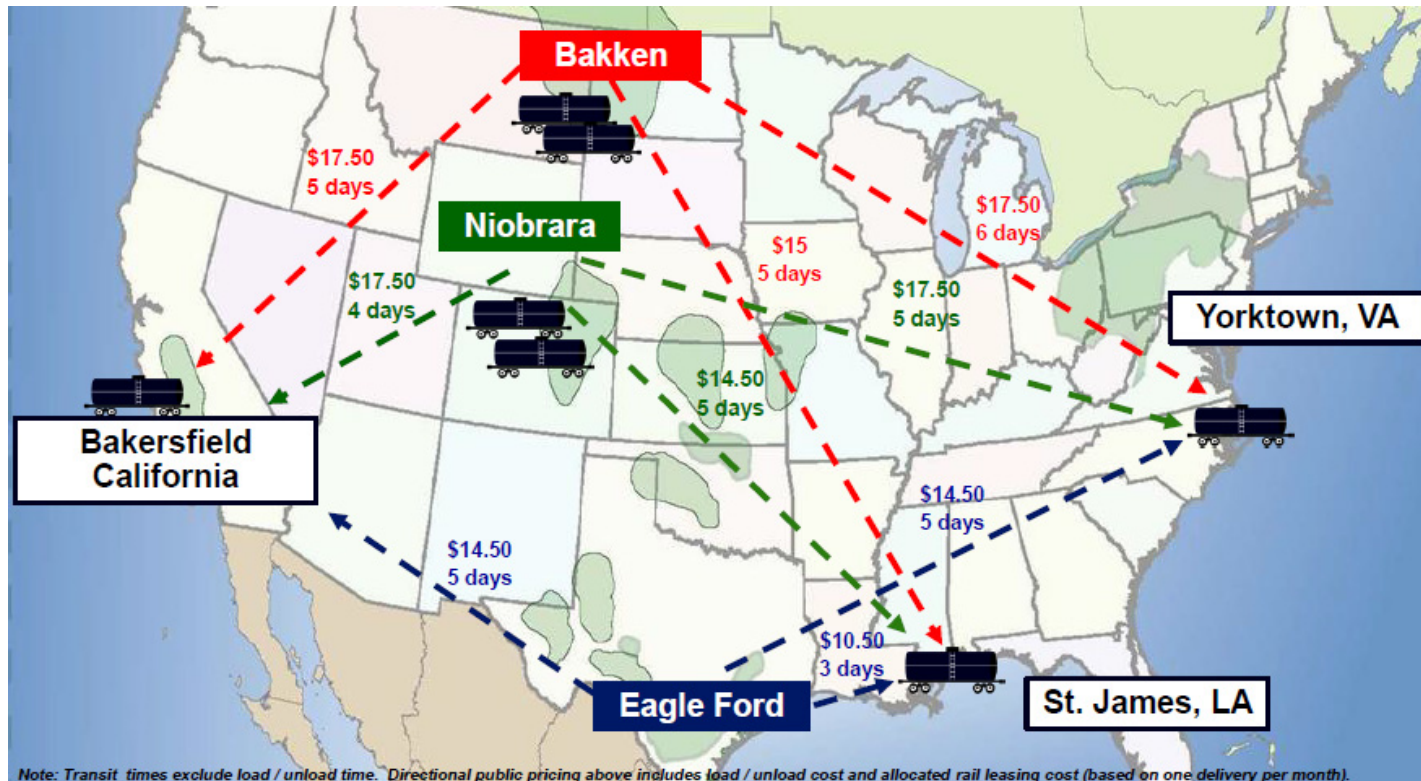
- **Enhancing takeaway flexibility from Permian**
 - Proposed: Freedom Pipeline (KMP) natural gas to crude conversion project to California
- **Utica/Marcellus NGL takeaway to Gulf Coast**
 - Proposed: Bluegrass Pipeline (BWP, WMB) natural gas to NGL conversion project

Feedstock Demand Drives NGL Infrastructure Growth

- **Proposals driven by rising US petrochemical demand for cost-advantaged feedstocks**
 - Bakken NGL Pipeline (OKS) from Bakken to Northern Colorado
 - Bluegrass Pipeline (WMB, BWP) from Marcellus/Utica to Gulf Coast
 - ATEX Express Ethane Pipeline (EPD) from Marcellus/Utica to Gulf Coast
 - Aegis Ethane Pipeline (EPD) from Mt. Belvieu to TX/LA petrochemical facilities
- **Proposals to export cost-advantaged North American energy**
 - Oiltanking Partners (OILT) expands Houston Ship Channel terminal to increase ability to import/export liquefied petroleum gas
 - Enterprise (EPD) expands LPG export facility to load propane, butane, and isobutane
 - Targa Resources (NGLS) expands LPG export capabilities on Houston Ship Channel

“Crude-by-Rail” Addresses Takeaway Concerns

- Rail offers producers increased speed to market versus newbuild pipeline
- Access to markets with limited pipeline connectivity (East Coast, West Coast)
- Provides flexibility with short-term contracts



Including acquisitions, MLPs have invested \$2 billion in crude rail terminals*

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

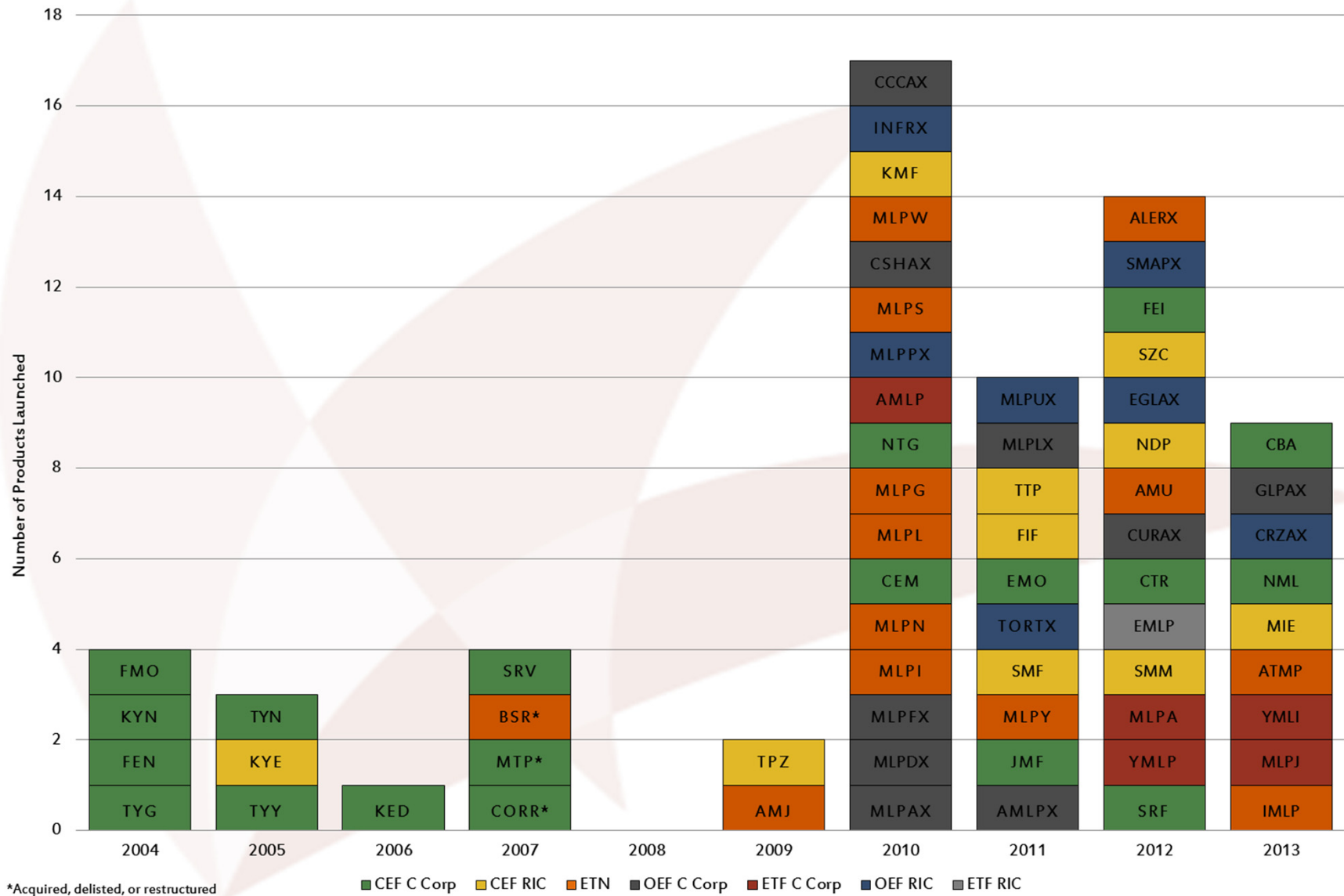
EQT SELLS KENTUCKY NATURAL GAS PROCESSING COMPLEX TO MARKWEST FOR \$230 MILLION

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

Continued Demand for Access Products

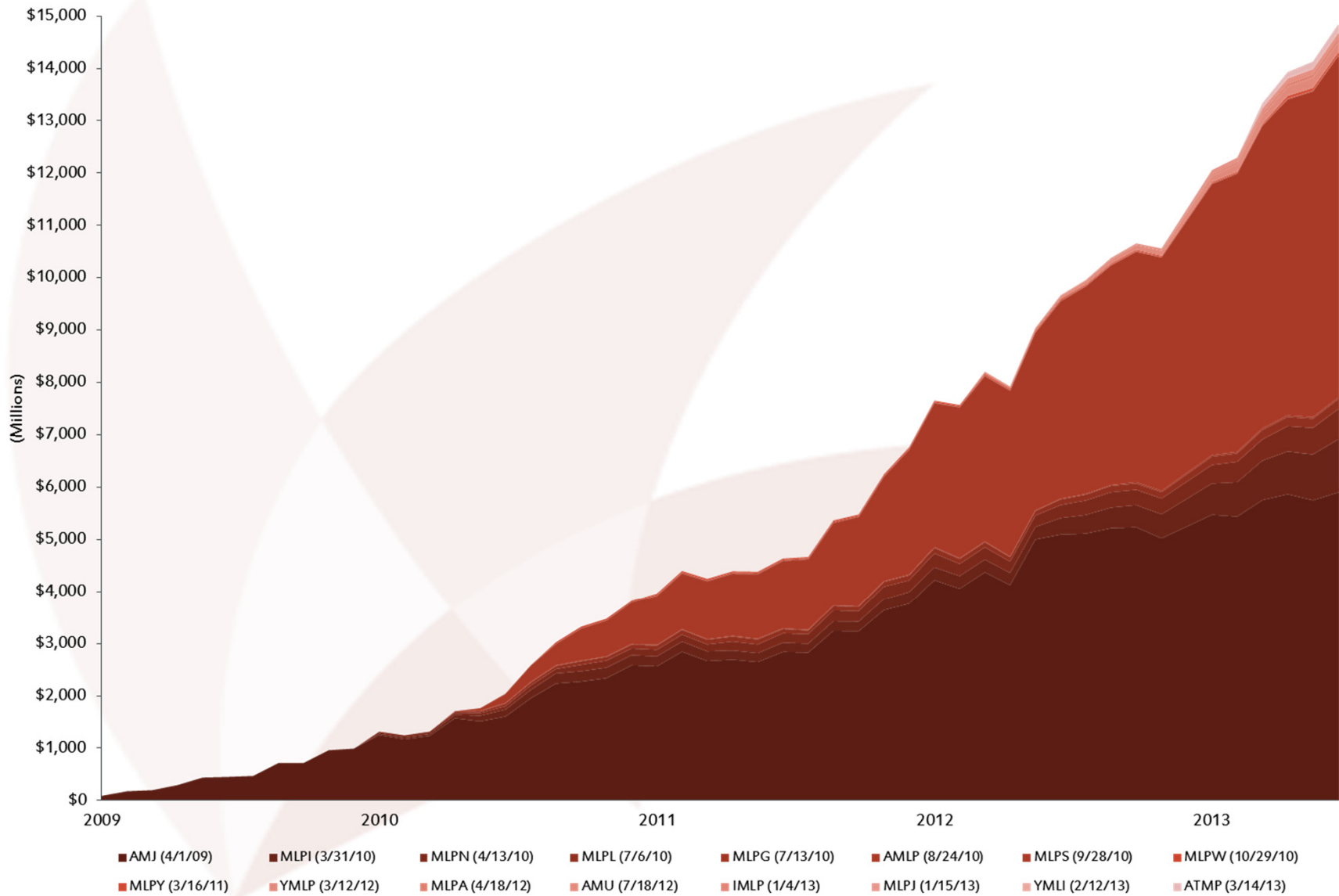


*Acquired, delisted, or restructured

Source: Alerian as of 06/28/2013

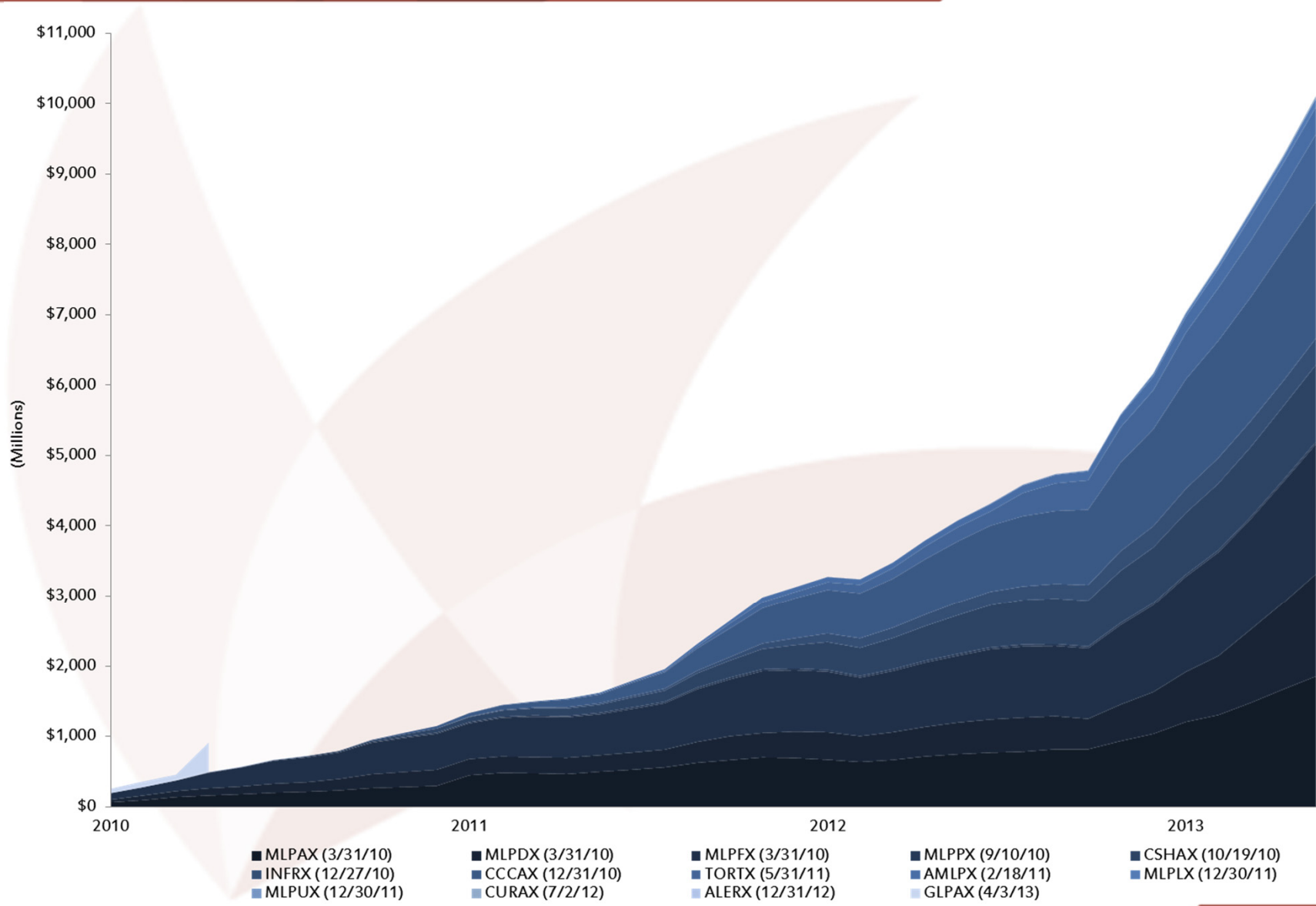


MLP Exchange-Traded Product Growth (AUM)



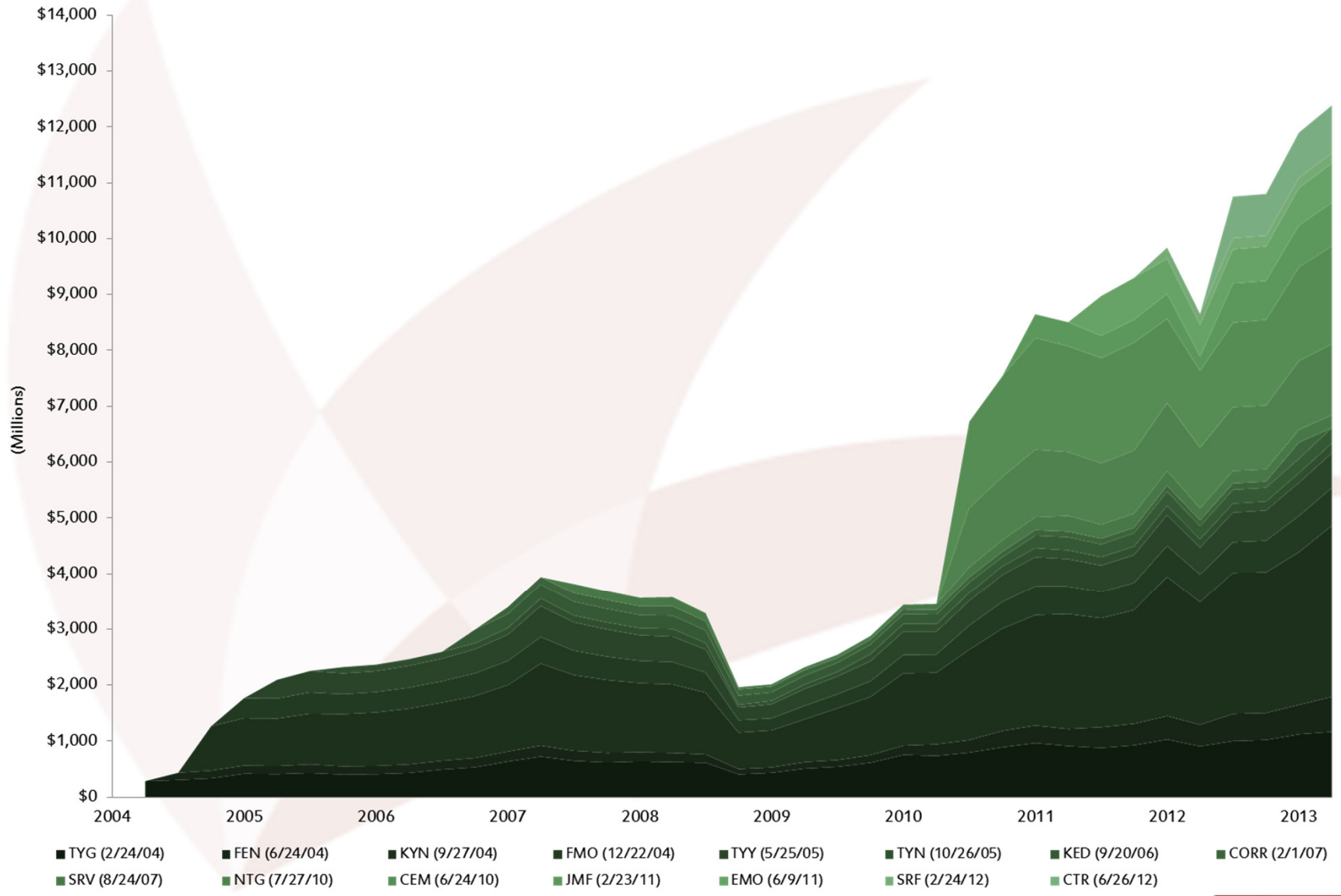
Source: Bloomberg as of 06/28/2013

MLP Open-End Mutual Fund Growth (AUM)



Source: Bloomberg as of 06/28/2013

MLP Closed-End Fund Growth (AUM)



Source: SEC filings as of 05/31/2013

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	
Tax Classification	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
Return of Capital Flow-Through	70%-100%	70%-100%	70%-100%	Varies*	70%-100%	Varies*	70%-100%	Varies*	No
Tax Treatment	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
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	Taxable Beyond \$1,000 in UBTI	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Leverage	No	No	Up to 33%	Up to 33%	Up to 33%	Up to 33%	No	No	No**
First Fund Launched	N/A	N/A	Feb 2004	Jun 2005	Mar 2010	Sep 2010	Aug 2010	Jul 2012	Jul 2007
Total Funds	N/A	N/A	17	10	10	7	5	1	11
AUM (\$ MM)	N/A	N/A	\$16.7B	\$4.1B	\$8.1B	\$1.8B	\$6.8B	\$0.4B	\$8.0B

Closed-End Funds: CBA, CEM, 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, MLPPX, MLPLX

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

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

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

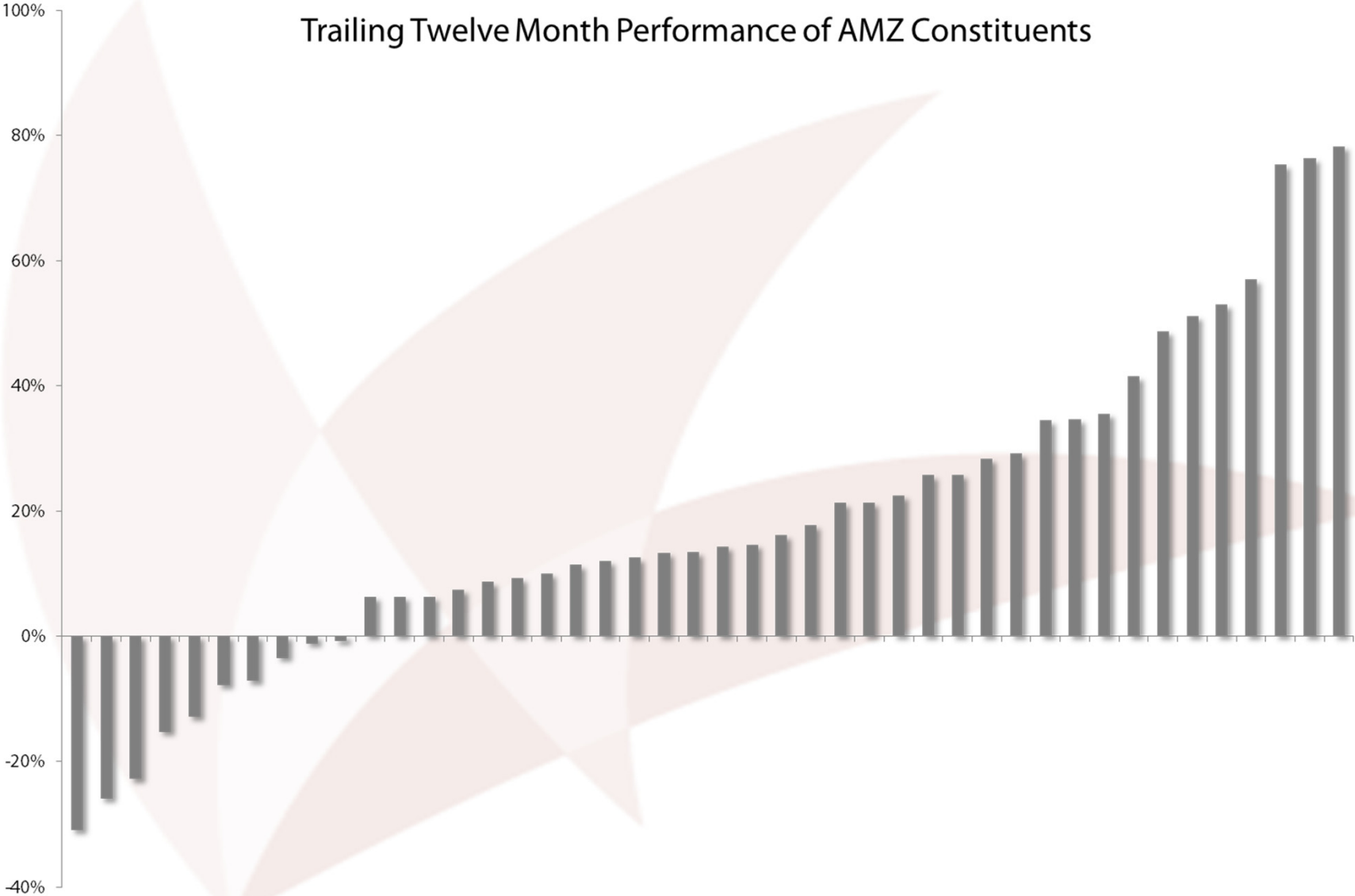
RIC Closed-End Funds: FIF, KMF, KYE, MIE, NDP, SMF, SMM, SZC, TPZ, TTP

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

RIC Exchange-Traded Fund: EMLP

Why Diversify?

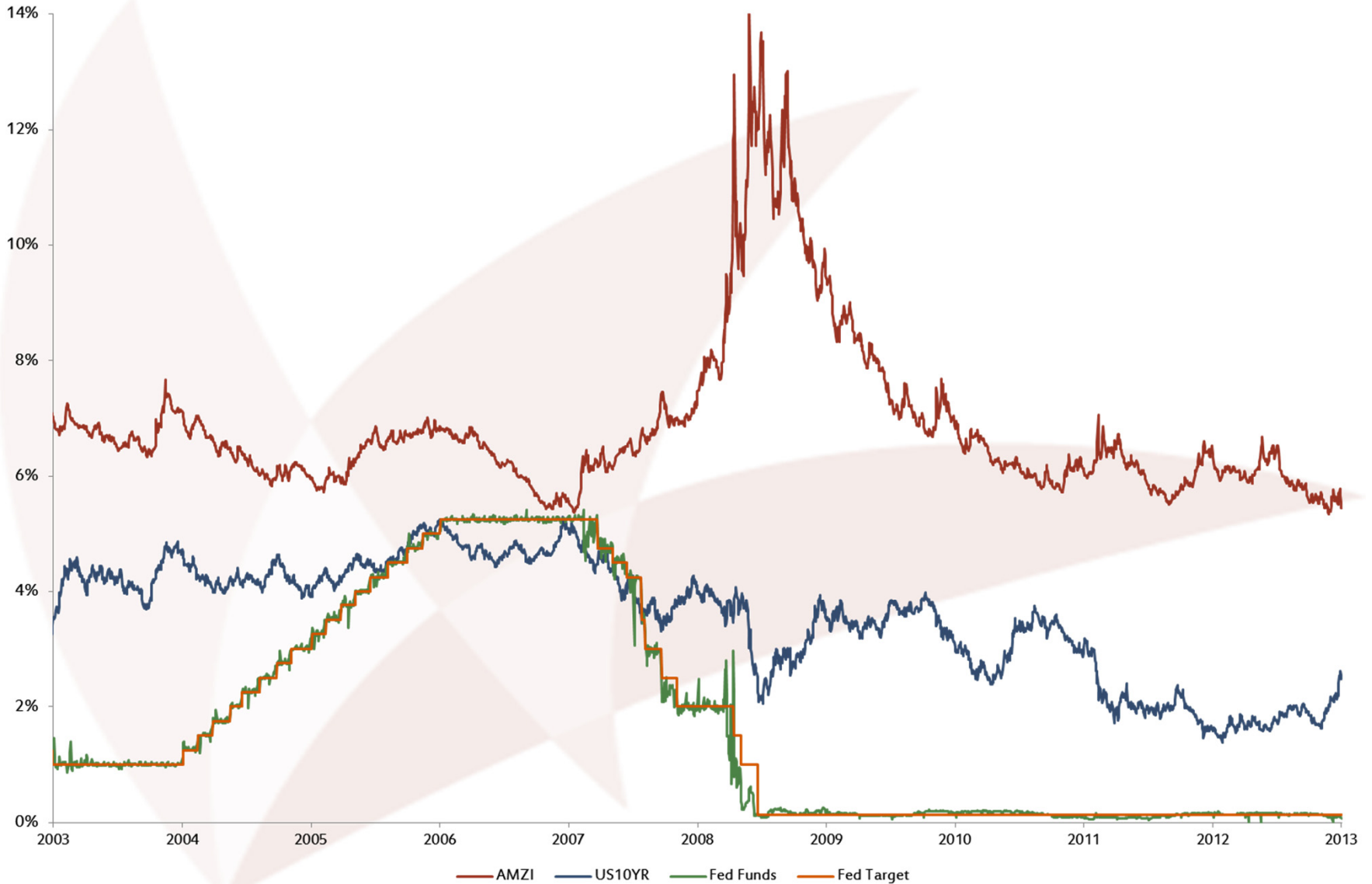
Trailing Twelve Month Performance of AMZ Constituents



Source: Bloomberg as of 06/28/2013



MLP Sensitivity to Interest Rates Possibly Overstated?



Source: Bloomberg as of 06/28/2013

Spotlight on Non-Traditional IPOs

IRS private letter rulings (PLRs) have broadened the scope of qualifying income

21 MLP IPOs during the last 18 months

- 6 Midstream – DKL, EQM, MPLX, SMLP, SXE, TEP
- 1 General Partner – WGP
- 2 E&P – ARP, NSLP
- 1 Shipping – KNOP
- 11 “Other” MLPs – ALDW, CVRR, EMES, HCLP, LGP, NTI, PDH, SDLP, SUSP, SXC, USAC

Similar to G&P MLPs seven years ago, “other” subsectors could become widely accepted

Consideration points:

- Business models – cyclicity of cash flows
- Risk profiles – asset diversification
- Distribution strategy – variable or growing

MLP IPOs (since January 2012)			
Date	MLP	Ticker	Assets
03/13/12	Atlas Resource Partners	ARP	Exploration & Production
05/03/12	PetroLogistics LP	PDH	Other Petrochemicals
06/26/12	EQT Midstream Partners LP	EQM	Natural Gas Pipelines
07/25/12	Northern Tier Energy LP	NTI	Other Refining
08/16/12	Hi-Crush Partners	HCLP	Other Frac Sand
09/10/12	Susser Petroleum Partners LP	SUSP	Other Wholesale Distribution
09/28/12	Summit Midstream Partners LP	SMLP	Natural Gas Pipelines
10/19/12	Seadrill Partners LP	SDLP	Other Drilling Rigs
10/25/12	Lehigh Gas Partners LP	LGP	Other Fuel Distribution
10/26/12	MPLX LP	MPLX	Petroleum Transportation
11/02/12	Delek Logistics Partners LP	DKL	Petroleum Transportation
11/02/12	Southcross Energy Partners LP	SXE	Gathering & Processing
11/20/12	Alon USA Partners LP	ALDW	Other Refining
12/07/13	Western Gas Equity Partners LP	WGP	General Partner
01/14/13	USA Compression Partners LP	USAC	Other Compression
01/16/13	CVR Refining LP	CVRR	Other Refining
01/18/13	SunCoke Energy Partners LP	SXC	Other Coke
02/07/13	New Source Energy Partners LP	NSLP	Exploration & Production
04/09/13	KNOT Offshore Partners LP	KNOP	Shipping
05/08/13	Emerge Energy Services LP	EMES	Other Sand and Transmix
05/13/13	Tallgrass Energy Partners LP	TEP	Natural Gas Transportation

Congressional Leaders View MLPs Constructively

- Joint Committee on Taxation (JCT) Expenditure List
 - Updated study (Feb 2013) 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
- 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.”

Simple Math

$\vec{v} = \frac{\Delta \vec{r}}{\Delta t}$ $\vec{a} = \frac{\Delta \vec{v}}{\Delta t}$

$v = v_0 + at$
 $x = x_0 + v_0 t + at^2/2$
 $v^2 - v_0^2 = 2a(x - x_0)$

$v_x = v \cos(\theta)$
 $v_y = v \sin(\theta)$

$\theta = \cos^{-1}(\frac{v_x}{v})$
 $\theta = \sin^{-1}(\frac{v_y}{v})$

$x = r\theta$
 $v = \omega r$
 $a = \alpha r$

$\omega = 2\pi f$ $f = \frac{1}{T}$
 $\omega = \omega_0 + \alpha t$

$I = \sum m r^2$ $\tau = I\alpha$

$E = K + U$
 $E_i = E_f$
 $\frac{1}{2}mv^2$

$\Delta Q_{\text{into}} = \Delta W_{\text{by}} + \Delta E$
 $C_P = C_V + R$

$\Delta S \geq 0$
 $\Delta Q = l \Delta(\text{quant.})$
 $PV = nRT$

$e = \frac{\Delta W}{\Delta O}$ $e = 1 - \frac{T_L}{T_r}$ $P = \frac{F}{A}$

$W = F d_{\parallel} = F_{\perp} d$
 $W_{\text{tot}} = \Delta(\text{KE})$
 $\Delta U = -W_{\text{if}}$

$\sum \vec{\tau}_i = 0$

6% Yield + **4-5% Distribution Growth** = **10-11% Total Return**

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