



Master Limited Partnerships

The Salient MLP Team



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Table of Contents

1. Introduction

- a. Attractive Yields Compared to the Alternatives
- b. Distribution Growth Has Exceeded Inflation
- c. Correlations (or Lack Thereof)

2. What is an MLP?

- a. Section 7704 of the U.S. Tax Code
- b. Current Thoughts on Tax Status
- c. The Evolution and Size of the Space
- d. Why Do Companies Put Assets into MLPs?

3. The MLP Value Proposition

- a. Potential Opportunities for Growth
- b. Relative Performance vs. Alternative Yield Investments

4. Partnership Structure

- a. Governance: The “Limited” in Limited Partner
- b. The Mechanics of Incentive Distribution Rights (“IDRs”)
- c. Impact of Incentive Distribution Rights on MLP Cost of Equity
- d. Investing in General Partners

5. Tax Basics

- a. Unrelated Business Taxable Income (“UBTI”)
- b. Alternative Means of Investing in MLPs

6. Risks

- a. Economic Weakness Triggers Another Bear Market
- b. Treasury Rates
- c. Credit Spreads
- d. Commodities
- e. Fund Flows
- f. Tax Law Changes

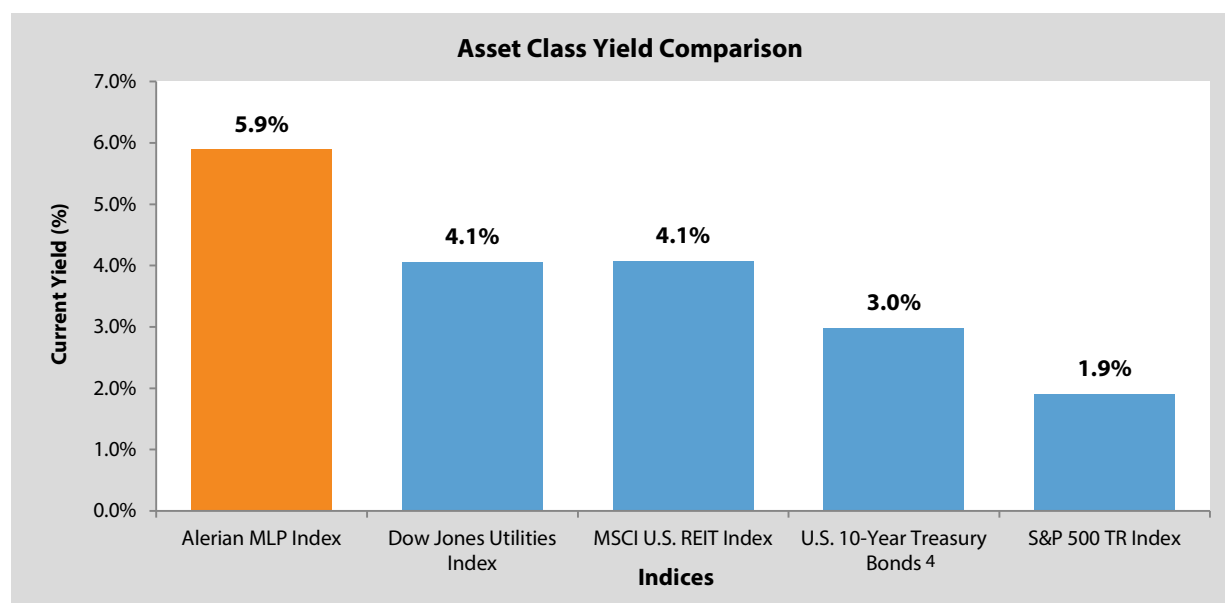
7. Glossary

1. Introduction

Master Limited Partnerships (“MLPs”) are a unique asset class in the investment landscape. They have historically generated competitive total returns (approximately 15.6% annually since 2006) through a combination of current yield and growth in distributions, while also providing portfolio diversification and a potential hedge against inflation.¹ Historically, MLPs have been primarily owned by high net worth and retail investors due in part to the tax complexities. However, MLPs have started gaining traction over the past few years among institutional investors as they seek alternative sources of yield in our present low-yield world.

Attractive Yields Compared to the Alternatives

Perhaps the best known benchmark for MLPs is the Alerian MLP Index (AMZ), which formally launched in June 2006. At December 31, 2013, the yield on the AMZ was 5.9%,² which was greater than utilities, REITs, the S&P 500, and Treasuries.³



For illustrative purposes only. Past performance is not indicative of how the index may perform in the future. Index performance does not reflect the deductions of fees and expenses. An investor cannot invest directly in an index.

Source: Bloomberg at December 31, 2013.

Please see glossary for a list of terms and index definitions.

¹ The Federal Energy Regulatory Commission allows certain tariff-based MLPs to increase their pipeline fees according to the Producer Price Index (PPI), and many storage contracts adjust to the Consumer Price Index (CPI), so a rise in inflation is partially offset by these pricing abilities.

² Figure includes return of capital and non-income items. Yield is calculated by income divided by current price.

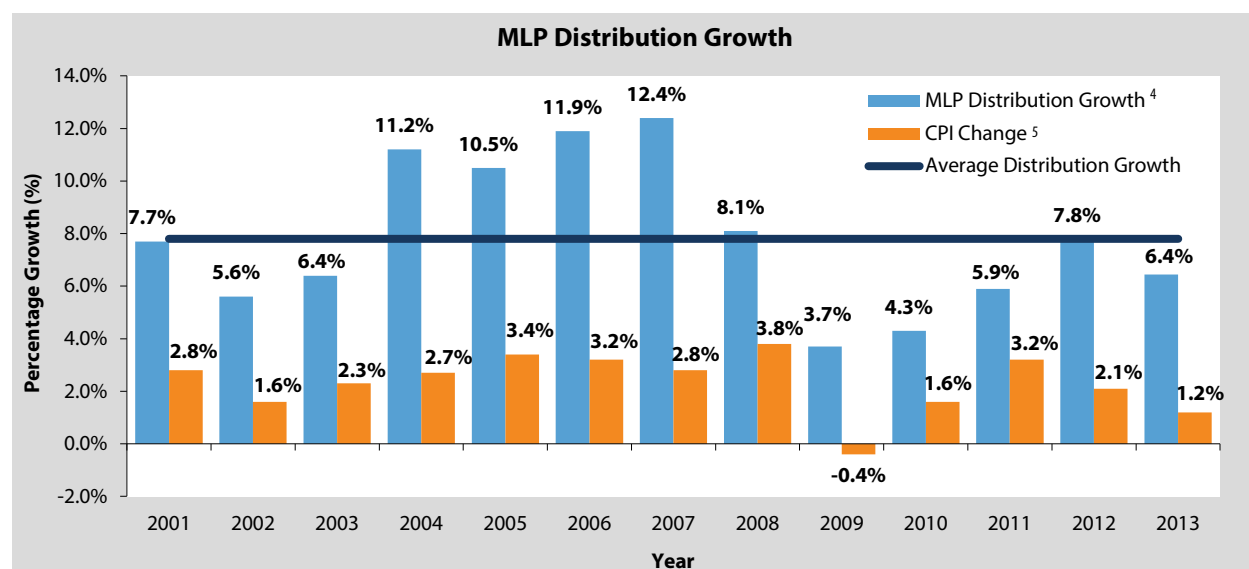
³ Bloomberg, January 2014.

⁴ U.S. treasury bonds are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. treasury bonds are issued and guaranteed as to the timely payment of principal and interest.

Please see glossary for a list of terms and index definitions.

Distribution Growth Has Exceeded Inflation

Since 2001, distribution growth for MLPs has averaged 7.8%,¹ which has been approximately 3.4x higher than the average rate of inflation (2.3%) as measured by the Consumer Price Index (CPI).² Growth has come from a combination of organic growth and acquisitions, and recent shale discoveries may provide an additional avenue for growth. It is also worth mentioning that certain types of pipelines that are regulated by the FERC (Federal Energy Regulatory Commission) – particularly interstate crude and refined products pipelines – are able to increase their tariffs annually at Producer Price Index-Finished Goods (PPI-FG) +2.65% through 2015, which provides an inflation hedge for those businesses.³



For illustrative purposes only. Past performance is not indicative of future results.

¹ Figure includes return of capital and non-income items. Average annual distribution growth rate is calculated by taking the total distribution growth per year and then calculating the average since June 2006 to December 2013.

² Bloomberg, June 30, 2013.

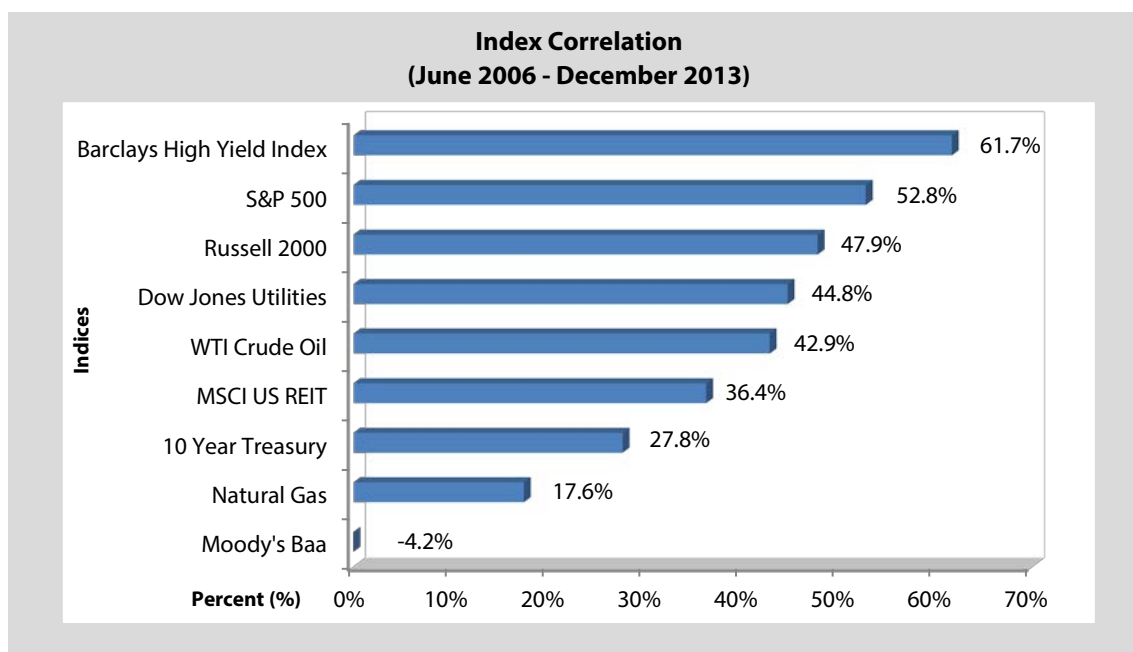
³ Federal Energy Regulatory Commission (FERC), April 2012.

⁴ Barclays Research estimate on MLP distribution growth per Barclays proprietary defined MLP dataset, as of December 31, 2013. MLP Distribution Growth Rate is the rate at which an MLP grows its distribution. This is mathematically expressed as distribution at year 1 divided by distribution at year 0 minus one (dist1/dist0 - 1).

⁵ Citi Investment Research and Analysis as of December 31, 2013. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

Correlations (or Lack Thereof)

MLPs may be valuable to the portfolio construction process since they typically do not exhibit high correlations with other asset classes. As shown in the graph below, the highest correlation since June 2006 has been to high yield bonds (62%), while the correlation to the S&P 500 has been 53%.¹ The relatively low correlation to oil and gas prices often surprises investors as well.



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Source: Pertrac, December 31, 2013.

2. What is an MLP?

Section 7704 of the U.S. Tax Code

An MLP is a publicly-traded partnership that receives special treatment under the U.S. tax code. Specifically, MLPs do not have to pay income taxes at the corporate level if 90% or more of gross income is considered to be "qualifying." Section 7704 of the tax code defines qualifying income as "income and gains derived from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or similar products), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy, and timber)." As a result, the vast majority of MLPs are related to energy and natural resources. Note that the 90% requirement for MLPs is related to *income generation*. There is not a requirement that MLPs *pay out* 90% of net income (or cash flow). In fact, MLPs are not required to pay out *any* distributions.

¹ Pertrac, June 2006 – December 2013.

Ownership of an MLP consists of the general partner and the limited partners. The general partner manages the partnership and typically has unlimited liability in legal matters. The limited partners are the primary providers of capital and receive cash “distributions” (not “dividends”) from the partnership, but they are only liable to the extent of their investment as it relates to legal matters. The limited partners’ ownership is in the form of common “units” (not “shares”), which trade publicly on stock exchanges. In addition, several general partners are publicly-traded – some structured as MLPs and some as C-Corporations.

MLPs are often a more tax efficient structure than the traditional corporation since they seek to avoid double taxation. In general, MLPs do not pay income tax at the corporate level. Instead, unit holders pay taxes at ordinary income tax rates on a portion of the distributions they receive. For more information on taxation, see page 19.

Current Thoughts on Tax Status

It is no secret that the U.S. has been running some rather large budget deficits over the past several years. As a result, there has been increased debate about an overhaul of the tax code in order to increase tax revenues to help reduce the deficit. While the tax status of MLPs has not been specifically targeted, a complete overhaul of the tax system could potentially impact MLPs. We believe there are several items worth pointing out regarding this topic.

First, in February 2013, the Joint Committee on Taxation (“JCT”) published a report on estimated tax “expenditures” (i.e. tax breaks) for the House Committee on Ways and Means and the Senate Committee on Finance. In that report, the JCT estimated the expenditure related to MLPs to be \$1.2 to \$1.5 billion per year. While this is well above the \$560 million per year average that was estimated in December 2010, we still do not consider it to be a needle-mover in terms of reducing the deficit. Consensus analyst distributable cash flow estimates for the entire MLP space in 2014 and 2015 are \$43.0 billion and \$47.7 billion, respectively.¹ Based on those figures, the tax expenditure represents less than 3.5% of total cash flow, so distributions (and valuations) may not be meaningfully impacted if those taxes were to be collected under a different structure.

Second, the current administration has been vocal about the need for both energy independence and infrastructure in the United States. MLPs may be seen as key conduits in achieving both of these goals and have the added potential benefit of creating jobs. Interestingly, in April 2013, the administration proposed exempting foreign pension funds from federal taxes under the Foreign Investment in Real Property Tax Act (FIRPTA). We interpret this to be a sign of how serious the government is about rebuilding infrastructure, and if enacted, may clear the way for non-U.S. pensions to invest in infrastructure (including energy infrastructure). Now if only they would get rid of the Unrelated Business Taxable Income!

Third, Congress has had a few bitterly partisan moments lately, which has made it difficult to come to terms on key pieces of legislation in recent years (i.e. government shutdown in October 2013, fiscal cliff in December 2012, tax ceiling issue in summer 2011, just to name a few). Tax reform could prove to be a very lengthy, contentious process. And, in our opinion, the tax status of MLPs is unlikely to be changed without a complete overhaul of the U.S. tax code.

¹ Salient Capital Advisors, LLC, FactSet, December 2013.

Fourth, between the proposed “MLP Parity Act” and a number of recent IRS private letter rulings (28 in 2013 alone), the bias seems to be toward expanding the definition of what constitutes “qualifying income” under Section 7704. The MLP Parity Act proposes to allow wind, solar, and other renewable energy sources to be treated as qualifying income. Some power generation companies have gone forward with creating MLP-like structures for some of their assets before the MLP Parity Act has even passed. For instance, utility NRG Energy, Inc. (NYSE: NRG) recently created NRG Yield, Inc. (NYSE: NYLD) to own several of its power generation assets that have long-term contracts. While NYLD is a C-Corp, it had an MLP-like yield of 5.5% at its Initial Public Offering (IPO) price with expected dividend growth of 20% per year (as guided by management on the roadshow).¹

The Evolution and Size of the Space

Prior to 1997, the MLP space was primarily comprised of long haul pipeline and propane MLPs that generated stable cash flow but were generally not concerned about distribution growth. As a result, MLPs tended to trade like bond substitutes. In early 1997, Rich Kinder and Bill Morgan changed the game when they formed Kinder Morgan Energy Partners, L.P. (“Kinder Morgan”) after acquiring liquids pipeline assets from Enron Corporation. Kinder Morgan is often cited as the “original growth MLP”, as the partnership grew very rapidly by acquiring third party midstream assets. We believe growth is now one of the primary goals of many MLP management teams.

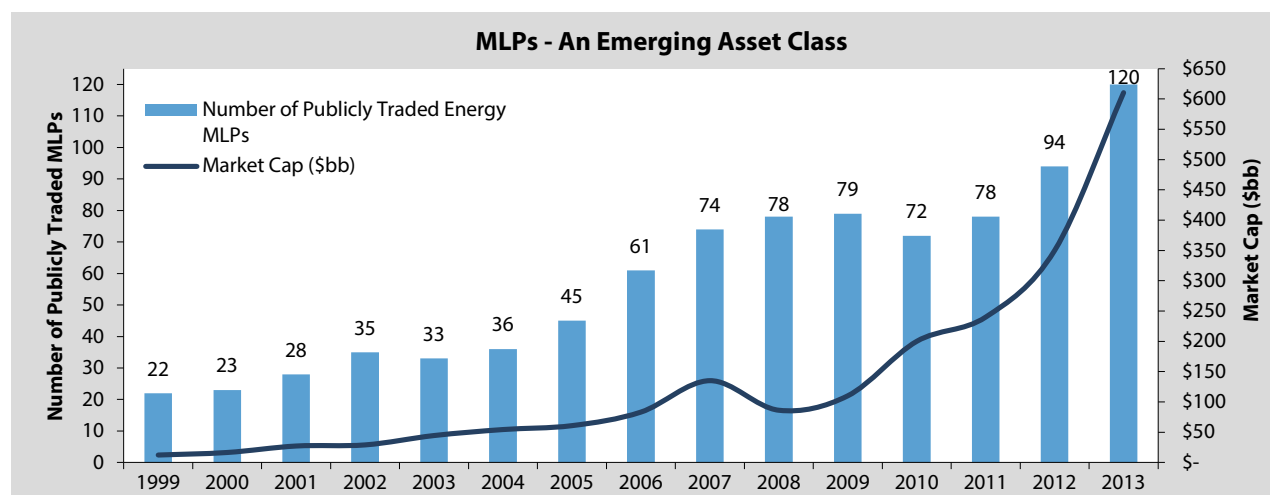
Historically, companies with predictable fee-based cash flow streams (such as pipelines) have been the norm in the MLP space. After all, the objective is to provide investors with steady (and potentially increasing) distributions. However, over the last several years, a number of MLPs have come to market that have direct exposure to commodity prices including oil, natural gas, natural gas liquids (“NGLs”), and coal. In fact, there are now five refining MLPs, 12 Exploration & Production (“E&P”) MLPs, and three coal producers structured as MLPs. Oil service MLPs and some one-off businesses are also new to the MLP structure, with two frac sand producers, an offshore driller, a petroleum coking facility, and a soda ash mining MLP having gone public over the past two years.¹

We believe that the ability of a partnership to hedge its commodity exposure has been a major contributor to more commodity sensitive businesses forming MLPs. Hedging essentially allows a partnership to turn a highly volatile cash flow stream into more predictable near term cash flows, which we think are often essential in the MLP structure. However, even those businesses that have hedged their commodity exposure in the near term face “rollover risk” in future years when those hedges expire. If commodity prices turn downward, those companies could have issues in the future. During the financial crisis of late 2008, these partnerships were among the worst performers due to such concerns.

As of December 31, 2013, there were approximately 100 publicly-traded energy MLPs with a total market capitalization approaching \$450 billion. When C-Corp general partners are included, the universe is approximately 120 names with a market cap of roughly \$650 billion.²

¹ Securities and Exchange Commission (www.sec.gov), January 2014.

² Alerian Capital Management, December 2013.



For illustrative purposes only. Past performance is not indicative of future results. There are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner of the MLP.

Source: Alerian Capital Management, December 2013.

Generally, MLPs fall in the small- to mid-cap category. As of December 31, 2013, only 10 MLPs had a market capitalization of greater than \$10 billion, 37 MLPs fell between \$2 and \$10 billion, and the rest were below \$2 billion. The average market cap as of that date was \$4.6 billion, while the median market cap was only \$2.2 billion. Note that the two mega-cap MLPs – Enterprise Products Partners, L.P. (\$61.3 billion market cap) and Kinder Morgan (\$44.7 billion) – skew the average calculation significantly.¹

In general, MLPs can be categorized into ten different “subsectors” based on the type of assets owned and products transported:

- **Diversified.** The Diversified MLPs are generally large cap in nature and operate in several of the subsectors listed below.
- **Natural Gas Pipelines & Storage.** MLPs in this subsector own both interstate and intrastate natural gas pipelines and/or natural gas storage. Historically, natural gas pipelines have generated stable cash flow due to long-term contracts with a large “take or pay” component. Natural gas storage has been a weak spot over the past few years due to a combination of lower natural gas prices, lower volatility in the natural gas curve, and a lack of basis between hubs. Natural gas pipelines have started to exhibit weakness recently as well, particularly those that have historically moved gas from the Midwest and southern portions of the U.S. into the Northeast markets. With the advent of the Marcellus Shale, natural gas is now located closer to the Northeast markets and contracts on pipelines that have historically delivered product to those markets are now renewing at lower rates, lower volumes, or a combination of the two (if they renew at all).
- **Liquids Pipelines & Storage.** Crude oil and refined products pipelines and storage fall into this category. Revenues are largely fee-based, and for interstate pipelines, the FERC allows a PPI-FG + 2.65% tariff increase every year which provides an inflation hedge.² Crude pipelines have experienced a renaissance of late due to new shale discoveries (Bakken, Eagle Ford,


¹ Salient Capital Advisors, LLC, FactSet December 2013.

² Federal Energy Regulatory Commission (FERC), April 2012.

Niobrara), while the associated marketing and logistics businesses have profited by the wide differentials between WTI (West Texas Intermediate) and Brent crude prices.

- **Gathering & Processing (“G&P”).** G&P MLPs aggregate natural gas from multiple wells in a field and deliver it to a processing plant that removes NGLs. Historically, G&P has been one of the more commodity-sensitive subsectors due to keep-whole, percent-of-liquids (POL), and percent-of-proceeds (POP) contract structures through which the processors were long or short natural gas and/or NGLs. As natural gas prices have collapsed over the last few years, many of these contracts have shifted to fee-based as E&P companies need proceeds from their NGL production to increase returns. As a result, there has been some natural de-risking in this subsector. In fact, there are now several G&P MLPs that are entirely fee-based.
- **Propane.** Propane MLPs typically have both wholesale and retail distribution divisions that sell propane for heating, crop drying, and cooking purposes. Volumes are highly dependent on the winter weather, while margins can swing based on wholesale propane prices and the ability/inability to pass those price changes through to customers.
- **Exploration & Production (“E&P”).** E&P MLPs typically own long-lived reserves with low decline rates and focus more on production than exploration. Most hedge out a high percentage of expected production, but could be vulnerable to rolling over hedges in a declining commodity price environment.
- **Shipping.** Currently, there are seven shipping MLPs that transport products such as liquefied natural gas (“LNG”), refined products, crude oil, and dry bulk. In addition, some of these MLPs own floating storage and LNG regasification vessels. Typically, the shippers have long-term, fee-based charters, but could face issues if those charters are renewed at lower rates.
- **Coal.** Currently, there are three coal production MLPs and two that own reserves that generate royalty revenues. In most cases, production is sold forward on multi-year contracts, but like E&P MLPs, coal MLPs face the risk of lower pricing once those contracts expire. Regulatory issues and escalating costs can also be a headwind for coal MLPs.
- **Refining & Marketing.** This subsector includes four refineries that convert crude oil into refined products (such as gasoline, diesel, and jet fuel), two that produce fertilizer, and one propane dehydrogenation plant (which converts propane to propylene). We also include wholesale marketers of crude and refined products as well as the convenience store MLPs in this subsector.
- **Oil Service and Other Specialty.** This “Oil Service” portion of this subsector includes compression MLPs, producers of sand used in the hydraulic fracturing process, and an offshore driller. The “Other” portion consists of MLPs that do not fit perfectly in any subsector like LNG plants, petroleum coking facilities, and other one-off MLPs.

The graphic below touches on key characteristics inherent in some of the different types of businesses in the MLP structure.



Cash Flow Stability	Type of Business	Contract Length	Revenue Type	Exposure to Commodity Prices	Types of Customers
Very High	Natural gas pipelines	10+ Yrs	Rental fee / "Ship-or-pay"	Little	Gas distributors, Utilities, Producers, Marketers and other gas pipelines
	Crude oil pipelines	5-10+ Yrs	Rental fee / Volume	Little	Refiners, Producers, Financials
	Storage	3-5 Yrs	Rental fee / Volume	Little (forward curve, contango)	Utilities, Marketers, Financials
	Refined prod. pipelines	1-5 Yrs	Rental fee / Volume	Little	Refiners, Marketers
	NGL pipelines	1-5 Yrs	Rental fee / Volume	Little	Petrochemical plants, Producers
	Gathering	Ranging from month-to-month to life of lease dedications	Rental fee / Volume	Little	Producers
	Fractionation	Typically short-term contracts but trending more long-term	Fee-based / "Frac-or-Pay"	Little	Producers
	Terminals	1-3 Yrs	Volume / Ancillary services	Little (contango)	Refiners, Financials
	Processing	Month-to-month to life of lease dedications	Fee-based / Volume	More (NGL prices, contract mix)	Producers
	Marine shipping	1-3 Yrs	Fee-based / Indexed charter rates	Little	Refiners, Petrochemical companies, Integrators, Marketers
Very Low	E&P	--	Market rates / Hedging	Significant	Midstream operators

For illustrative purposes only.

Source: Morgan Stanley, February 2012.

Why Do Companies Put Assets into MLPs?

Early on, companies formed MLPs in order to divest assets and focus on core competencies. In the late 1980s, many large energy companies found that they had significant amounts of capital tied up in cash-generating assets such as pipelines. Since the income from those assets typically met the definition of qualifying income, energy companies sought to monetize those assets and create a more efficient capital structure for their ownership in these assets. Placing those assets into a publicly-traded partnership structure enabled many owners to be compensated for those assets and focus on their core competencies.

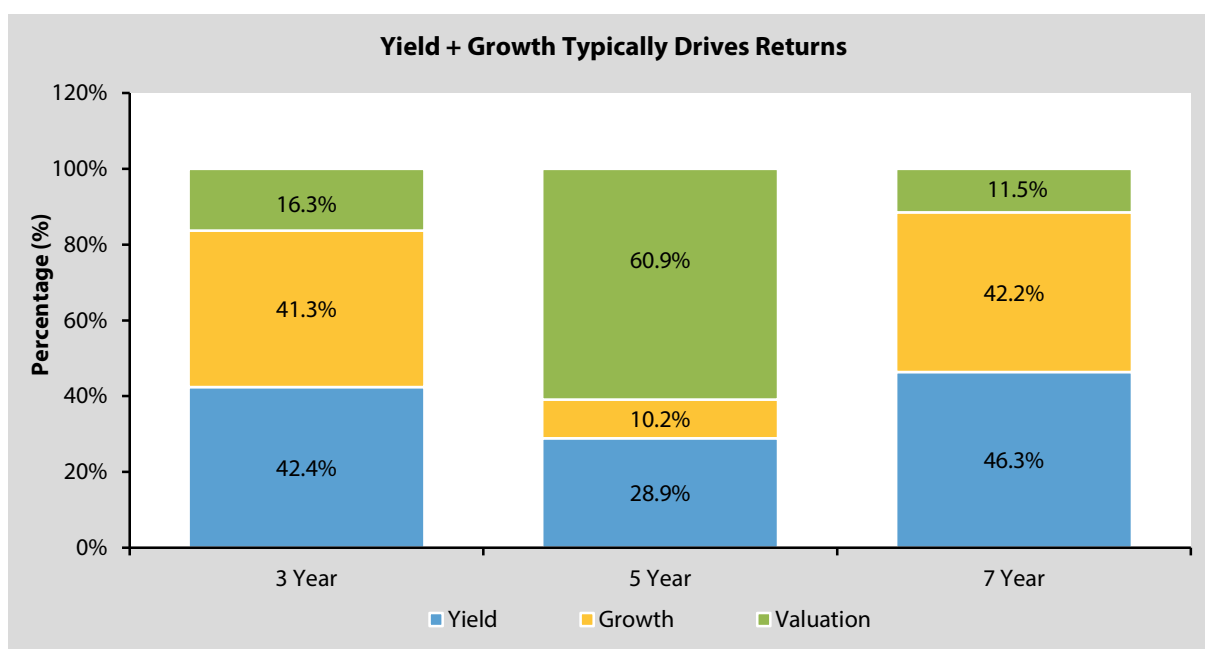
While that is still a motivation for many companies, we believe several issuers are now simply exploiting the valuation gap. Because of their tax structure and yield-oriented nature, MLPs have a lower cost of capital which typically leads to higher market valuations (and vice versa). For instance, let's say that a traditional E&P company that also owns high quality pipeline assets trades at an EBITDA (earnings before interest, taxes, depreciation, and amortization) multiple of 6x, while MLPs with similar assets trade at 14x. Given the major difference in valuation, the company would be highly motivated to either form its own MLP or sell the assets to an existing MLP to maximize shareholder value. This valuation discrepancy has been the motivation behind the formation of MLPs such as Williams Partners, L.P. (natural gas pipelines), Western Gas Partners, L.P. (gathering & processing), Phillips 66 Partners, L.P. (liquids transportation & storage), and Teekay LNG Partners, L.P. (shipping).

By spinning out qualifying assets, the parent company is typically able to receive cash upfront while maintaining operational control and a meaningful financial stake in the assets through ownership of

common units, the general partner interest, and incentive distribution rights.

3. The MLP Value Proposition

Over the past seven years, MLPs have generated attractive total returns through a combination of high current yield and growth in distributions.¹ In fact, according to Barclays Capital (December 31, 2013) this yield plus growth equation has explained 83.7% over the past three years and 88.5% of the MLP total returns over the past seven years, but only 39.1% over the past five years (with the remainder due to changes in yield/valuation). Note that the five year returns (2009–2013) were more driven by revaluation coming out of the 2008 financial crisis.



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Source: Barclays Capital, December 31, 2013.

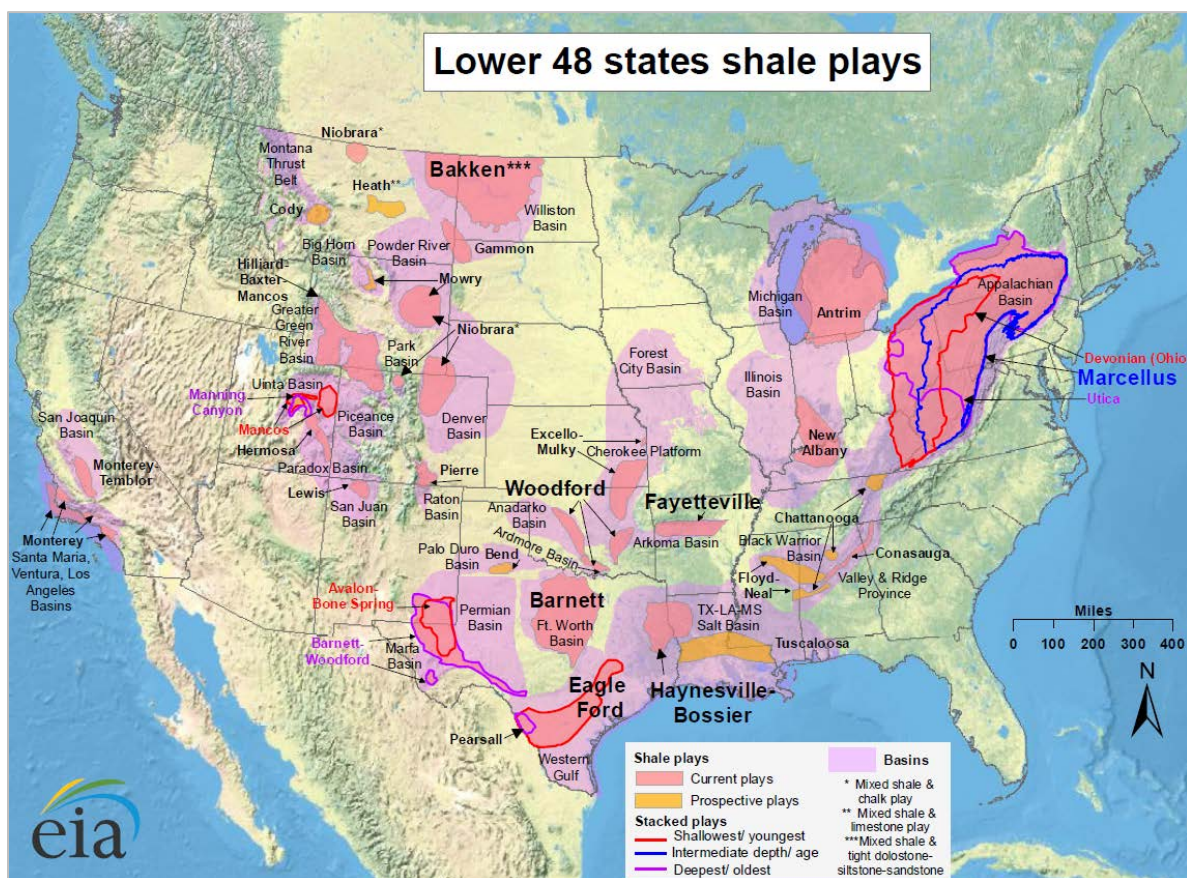
Please see glossary for a list of terms.

Potential Opportunities for Growth

Historically, MLPs have typically increased their cash flow through a combination of organic growth projects and acquisitions. Over the last decade, one of the key drivers of growth for MLPs has been the need for infrastructure resulting from the discovery of numerous shale plays (both crude oil and natural gas). This trend may continue given recent discoveries in areas such as the Utica and Eagle

¹ Past performance is not indicative of future results.

Ford Shale formations. The graphic below shows the major producing basins, including recent shale discoveries.



For illustrative purposes only.

Source: Energy Information Administration based on data from various published studies. Updated May 9, 2011.

To put some numbers to the growth potential, ICF International, Inc. (on behalf of the Interstate Natural Gas Association) published a report on future North American energy infrastructure needs and capital spending in June 2011. In total, ICF estimates that infrastructure expenditures will total \$251.1 billion between 2011 and 2035, with the lion's share spent on natural gas infrastructure. On average, annual natural gas capital expenditures are expected to be \$8.2 billion over the next 25 years (\$205.2 billion in total), while crude oil and NGL-related capital expenditure ("capex") is expected to average only \$1.8 billion (\$45.9 billion in total). MLPs may account for a significant portion of the spending, which could bode well for long term growth. The tables on the following page summarize the findings of the study.¹

¹ "North American Midstream Infrastructure through 2035 – A Secure Energy Future" by ICF International, June 28, 2011.

Natural Gas Infrastructure Requirements	2011-2020	2011-2035	Average
Natural Gas Transmission Mainline Capacity (Bcf/d)	29.0	43.0	1.7
Miles of Transmission Mainline (1000s)	16.4	35.6	1.4
Cost of Natural Gas Transmission Mainline (Billions)	\$46.2	\$97.7	\$3.9
Miles of Laterals to/from Power Plants, Storage Fields and Processing Plants (1000s)	6.6	13.9	0.6
Cost of Laterals to/from Power Plants, Storage Fields and Processing Plants (Billions)	\$14.0	\$29.8	\$1.2
Miles of Gathering Line (1000s)	165.0	414.0	16.6
Cost of Gathering Line (Billions)	\$16.3	\$41.7	\$1.7
Compression for Pipelines (1000 hp)	3,039.0	4,946.0	197.8
Cost of Compression (Billions)	\$5.6	\$9.1	\$0.4
Natural Gas Storage Capacity (Bcf)	N/A	589.0	23.6
Cost of Natural Gas Storage (Billions)	\$3.6	\$4.8	\$0.2
Processing Capacity (Bcf/d)	18.1	32.5	1.3
Cost of Natural Gas Processing (Billions)	\$12.4	\$22.1	\$0.9
Total Natural Gas Infrastructure Capital Requirements	\$98.1	\$205.2	\$8.2

Crude Oil & NGL Infrastructure Requirements	2011-2020	2011-2035	Average
Miles of Crude Oil Transmission Mainline (1000s)	13.0	19.3	0.8
Cost of Crude Oil Transmission Mainline (Billions)	\$19.6	\$31.4	\$1.3
Miles of NGL Transmission Mainline (1000s)	10.6	12.5	0.5
Cost of NGL Transmission Mainline (Billions)	\$12.3	\$14.5	\$0.6
Total Crude Oil & NGL Infrastructure Requirements	\$31.9	\$45.9	\$1.8

For illustrative purposes only. Past performance is not a guarantee of future results.

Source: "North American Midstream Infrastructure through 2035 – A Secure Energy Future" by ICF International, June 28, 2011.

We won't argue much with the estimates for natural gas capital expenditures at this point, but we believe that the crude oil and NGL-related capex estimates may prove to be conservative. In fact, the pipeline projects that are currently expected to be in service between 2013 and 2018 total more than \$50 billion – approximately 10% higher than the projections above and only eight years into the forecast period. See the table on the next page for details.

Crude Oil Pipeline Expansion Project				
Owners	Project	Capacity (000 b/d)	In-Service	Cost (\$MM)
EEP	Alberta Clipper Expansion	120	2014	\$40
EEP	Southern Access Project	160	2013	\$400
EEP/ENB	Line 5 Expansion	50	2013	\$200
ENB/EPD	Seaway Expansion I	400	2013	\$400
SXL	W. TX Expansion -- Houston, Longview, Nederland	110	2013	\$175
PAA/EPD	Gardendale to 3 Rivers to Corpus	350	2013	\$160
MMP	Crane (aka Longhorn reversal)	225	2013	\$375
PAA	Mississippi Lime	175	2013	\$60
EEP	Bakken Expansion	120	2013	\$560
Shell	Houma to Houston (Ho-Ho) Reversal	300	2013	\$100
ENB	Toledo Pipeline Partial Twin	80	2013	\$200
GEL	Port Hudson, LA pipeline and Terminal	200	2013	\$125
ENB	Line 9 Reversal to access refineries in Ontario,	240	2013	\$350
TRP	Keystone XL South	700	2013	\$2,300
2013 Subtotal		3,110		\$5,405
ENB	Line 9 expansion	80	2014	\$100
EEP/ENB	Line 6B Replacement & Expansion (Phase1)	260	2014	\$1,600
PAA/SEMG/RRMS	White Cliffs expansion from 70 to 150	80	2014	\$75*
PAA	Western OK extension	75	1Q:14	\$100
EEP/ENB	Spearhead N Expansion into Chicago	105	2014	\$50*
ENB	Flanagan South	585	2014	\$1,200*
ENB/EPD	Seaway PL Expansion II	450	2014	\$400
SXL	Permian Express I	150	2014	\$275*
MMP/OXY	Bridge Tex	275	2014	\$1,200
TRP	Bakken Mkt Link	100	2014	\$140
EEP	Line 67 Expansion (Can border to Superior)	350	2014/2015	\$250
2014 Subtotal		2,630		\$5,430
PAA	Cactus, McCamey to Gardendale	310	1Q:2015	\$350
ENB	Southern Access Extension	300	2015	\$800
EEP/ENB	Spearhead N Expansion Twin	570	2015	\$500
EEP	Lakehead system expansion	230	2015	\$200
SXL	Permian Express II	200	2015	\$100*
ETP/ENB	Trunkline	540	2015	\$3,000
TRP	Keystone XL (North)	830	2015	\$4,700
2015 Subtotal		2,980		\$9,650
EEP	Line 61 Expansion (Superior to Flanagan)	800	2014-2016	\$1,300
EEP	Sandpiper	225/375	2016	\$2,400
TRP	Northern Courier (N of Ft McMurray, AB)	225	2016	\$660
EEP	Line 6B Replacement (Phase 2)	70	2016	\$400
2016 Subtotal		1,395		\$4,760
TRP	Grand Rapids	900	2017	\$3,000
KMP	Transmountain Expansion	450	2017	\$5,400
2017 Subtotal		1,350		\$8,400
TRP	Energy East	1,100	2018	\$10,000
ENB	Northern Gateway	525	not specified	\$7,000
2018 Subtotal		1,625		\$17,000
TOTAL		13,090		\$50,645

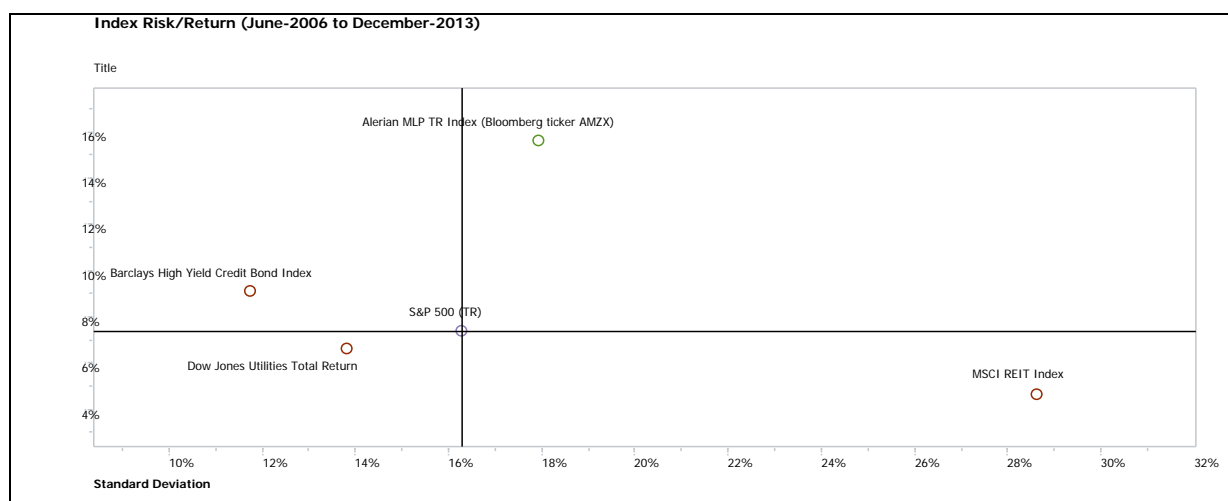
For illustrative purposes only. The figures presented are subject to change. Salient is under no obligation to update recipients.

* The number above are estimates and shown for illustrative purposes.

Source: En-Vantage, Bentek, and Credit Suisse, October 2013.

Relative Performance vs. Alternative Yield Investments

MLPs have outperformed the S&P 500 and other yield-based investments on a total return basis since June 2006. As shown in the graph below, the Alerian MLP Index has returned 15.6% annually since 2006 as compared to the S&P 500 annual return of 7.4%, with only a slightly higher standard deviation than the S&P 500 (17.9% vs. 16.3% for the S&P 500). The Alpha (11.9%), Beta (0.58), and Sharpe Ratio (0.80) metrics also compare favorably to the S&P 500.



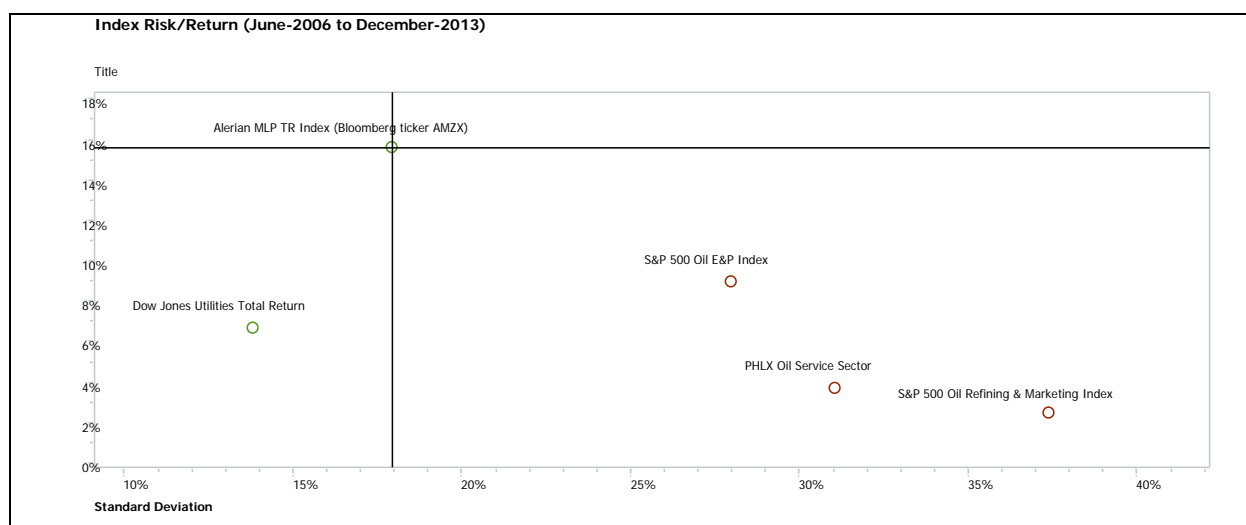
	Compound ROR	Cumulative Return	Standard Deviation	Max Drawdown	Sharpe Ratio (1.81%)	Sortino Ratio (10%)	Up Capture Ratio	Down Capture Ratio	Alpha	Beta
Alerian MLP TR	15.62%	200.54%	17.96%	-41.13%	0.80	0.41	72.54%	58.34%	11.89%	0.58
Barclays High Yield Credit Bond	9.09%	93.45%	11.76%	-33.31%	0.65	-0.09	39.99%	57.29%	5.03%	0.53
Dow Jones Utilities	6.61%	62.46%	13.83%	-36.39%	0.40	-0.28	34.46%	62.47%	3.19%	0.50
MSCI REIT	4.60%	40.59%	28.63%	-69.22%	0.24	-0.23	167.24%	115.40%	-2.82%	1.37
S&P 500 TR	7.35%	71.22%	16.31%	-50.95%	0.41	-0.19	100.00%	100.00%	0.00%	1.00

For illustrative purposes only. Past performance is not indicative of how the index may perform in the future. Indices are unmanaged, and investors cannot invest directly in an index. Index performance does not reflect the deductions of fees and expenses. Please see glossary for a list of terms and index definitions.

Source: PerTrac, Data from June 2006 - December 2013.

Risk-Adjusted Returns vs. Other Energy Sectors

In addition to outperforming the S&P 500 and other yield-based investments (as shown in the previous graph), MLPs have also generated the highest risk-adjusted returns among other energy sectors. The annualized return of the AMZ (15.6%) has been higher than utilities, E&P, oil service, and refining, as defined by the indices in the graph below. While utilities did exhibit lower volatility than the AMZ, we would note that the standard deviation of the AMZ has been much lower than those of the more commodity-sensitive, cyclical sectors.



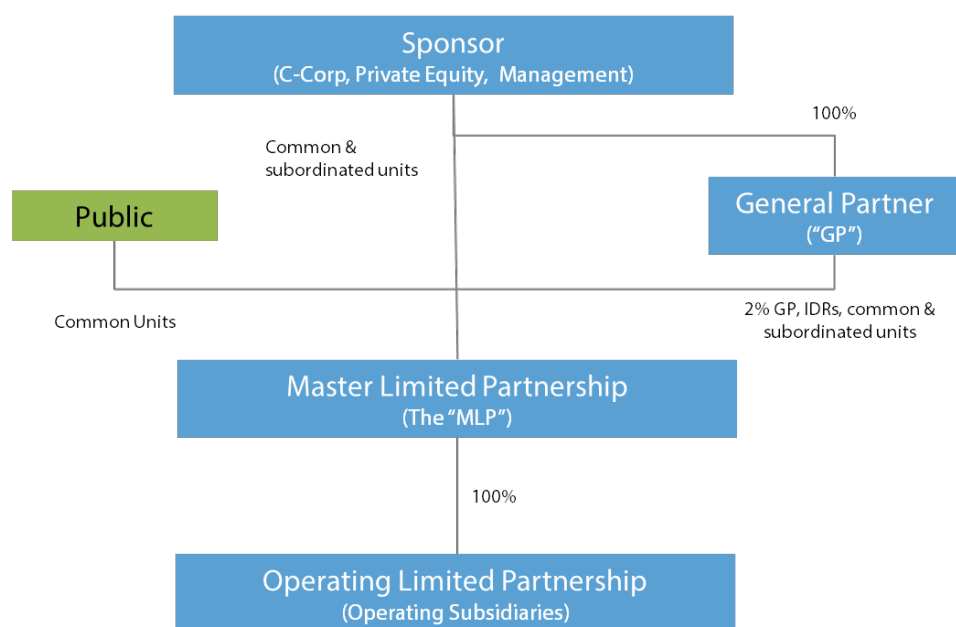
	Compound ROR	Cumulative Return	Standard Deviation	Max Drawdown	Sharpe Ratio (1.81%)	Sortino Ratio (10%)	Up Capture Ratio	Down Capture Ratio	Alpha	Beta
Alerian MLP TR	15.62%	200.54%	17.96%	-41.13%	0.80	0.41	72.54%	58.34%	11.89%	0.58
PHLX Oil Service Sector	3.65%	31.22%	31.06%	-66.22%	0.22	-0.25	119.34%	111.01%	-3.02%	1.39
S&P 500 Oil E&P	8.91%	91.08%	27.97%	-59.45%	0.38	-0.05	121.64%	101.89%	3.08%	1.12
S&P 500 Oil Refining & Marketing	2.41%	19.81%	37.39%	-75.30%	0.21	-0.26	216.69%	120.90%	-2.02%	1.37
Dow Jones Utilities Total Return	6.61%	62.46%	13.83%	-36.39%	0.40	-0.28	34.46%	62.47%	3.19%	0.50

For illustrative purposes only. Past performance is not indicative of how the index may perform in the future. Indices are unmanaged, and investors cannot invest directly in an index. Index performance does not reflect the deductions of fees and expenses. Please see glossary for a list of terms and index definitions.

Source: PerTrac, Data from June 2006 - December 2013.

4. Partnership Structure

MLP ownership is comprised of the general partner and the limited partners. The general partner manages the partnership and typically owns some common units, the 2% general partner interest, and the incentive distribution rights. The limited partners are the primary providers of equity capital and typically receive quarterly cash distributions from the partnership. The limited partners' ownership is in the form of publicly-traded common units and several general partners are publicly-traded as well (some structured as MLPs and some as C-Corporations). The graphic on the following page shows a typical MLP organizational structure.



For illustrative purposes only.
Source: Salient Capital Advisors, LLC.

Governance: The "Limited" in Limited Partner

MLPs are managed by the general partner, and in most cases, limited partners have limited voting rights regarding partnership matters such as acquisitions and electing the board of directors. Further, removing the general partner can be very difficult and often requires a 66 ²/₃% majority vote of the common unit holders, sometimes including the common units owned by the general partner. That said, major stock exchanges typically require at least three independent members on the general partner's board of directors and the general partner does have certain fiduciary duties to the limited partners.

The Mechanics of Incentive Distribution Rights ("IDRs")

MLP management teams are strongly incentivized to increase quarterly distributions to unit holders. Under the MLP structure, management is represented by the general partner, which typically has a 2% cash flow interest. Even though the equity stake of the GP is small, IDRs provide substantial upside and encourage the GP to grow distributions to unit holders as quickly as possible. As distributions increase and certain targets are met, the general partner receives a larger percentage of the incremental distributions.

In general, the tiers are set at 15.0%, 25.0%, and 50.0% above the minimum quarterly distribution (some cap the IDRs at 25.0%, some don't have IDRs at all). Perhaps not coincidentally, the general partner receives that same percentage of incremental distributions once the tier is surpassed. In other words, if distributions were increased by 15.0%, the general partner would receive 15.0% of the incremental distributions above that level.

By way of illustration, the table below shows a typical IDR structure for an MLP.

Typical MLP Incentive Distribution Rights Structure									
Distribution Schedule		% Split		Incremental Distributions		Total Quarterly Distributions			
Quarterly	Annually	L.P.	G.P.	L.P.	G.P.	L.P.	G.P.	TOTAL	
MQD of \$0.35	\$1.40	98%	2%	\$0.3500	\$0.0071	\$0.3500	\$0.0071	\$0.3571	
Tier 1 up to \$0.4025	\$1.61	98%	2%	\$0.0525	\$0.0011	\$0.4025	\$0.0082	\$0.4107	
Tier 2 above \$0.4025 to \$0.4375	\$1.75	85%	15%	\$0.0350	\$0.0062	\$0.4375	\$0.0144	\$0.4519	
Tier 3 above \$0.4375 to \$0.5250	\$2.10	75%	25%	\$0.0875	\$0.0292	\$0.5250	\$0.0436	\$0.5686	
Tier 4 above \$0.5250	> \$2.10	50%	50%	\$0.0250	\$0.0250	\$0.5500	\$0.0686	\$0.6186	
% of Total Distribution						88.9%	11.1%		

For illustrative purposes only.

Source: SEC Filings; Tier 4 assumes \$2.20 annual distribution to limited partners.

Please see glossary for a list of terms and index definitions.

Let's assume that "MLP" went public in January 2005 with a minimum quarterly distribution (MQD) of \$0.35 per unit. At the MQD level, the MLP unit holders receive a quarterly distribution of \$0.35 per unit, while the general partner receives \$0.0071 per unit, or 2% of the total distribution.

From the MQD to the top-end of the first tier of distributions (\$0.4025 per unit), the general partner receives 2% of the total distribution, for a total quarterly distribution between MLP unit holders and the general partner of \$0.4107 per unit.

At the high end of the second tier, the MLP limited partners will receive \$0.4375 per unit (\$1.75 annually). This represents 98% of the tier one distribution and 85% of the distributions beyond that amount. The general partner will receive a total of \$0.0144 per unit, for a total distribution between the LP and GP of \$0.4519 per unit.

At the high end of the third tier, the MLP limited partners will receive \$0.525 per unit (\$2.10 annually) while the general partner will receive a total of \$0.0436 per unit, for a total distribution between the LP and GP of \$0.5686 per unit.

At distribution levels above \$0.525 per unit, the MLP limited partners and the general partner will each receive 50% of the incremental distributions. For example, if the quarterly distribution was increased to \$0.55 per unit, both the limited partners and the general partner would receive an additional \$0.025 per unit as shown in the table above.

Impact of IDRs on MLP Cost of Equity

To put it simply, IDRs increase a partnership's cost of equity capital. As shown in the example above, the general partner receives an increasing portion of the distributions as the distribution to limited partners grows over time. Once a partnership reaches the 50% splits (Tier 4 in the table above), it has to increase distributable cash flow by \$0.02 per unit in order to increase distributions to limited partners by \$0.01 (since the general partner receives \$0.01 as well).

In the example on the previous page, the partnership has to generate almost \$0.62 per unit of cash flow to pay a \$0.55 distribution to limited partners, and that is based on a partnership being only slightly (\$0.025 per unit) into the high splits. If the distribution to limited partners were to increase to \$3.00 per unit (\$0.75 per quarter) in the example above, the partnership would have to generate cash flow of almost \$1.02 per quarter after accounting for the general partner. Clearly, the general partner IDRs come at a cost to an MLP's limited partners; and the IDRs are also the reason that publicly-traded general partners may be such powerful growth stocks.

Due to the impact on an MLP's cost of equity, several MLPs have bought out their general partner IDRs in recent years by issuing additional limited units to the general partner in lieu of the IDRs. For the most part, distribution growth rates have increased over time for those MLPs subsequent to the IDR buyout.

Investing in General Partners

We believe the same IDR dynamic that creates a headwind for MLP distribution growth also provides the potential for publicly-traded general partners to generate higher distribution (or dividend) growth. Not all general partners are publicly-traded, but there are currently several trading in both C-Corp form and MLP form. Note that the GPs that are structured as corporations may have to pay corporate level income tax.

Typically, general partners have lower yields but tend to grow their dividends or distributions by approximately 1.5x to 3x the rate of their underlying MLPs. The reason is fairly straightforward: operating leverage. General partners, in most cases, have very little general and administrative (G&A), interest, and other expenses. As the IDRs to the general partner increase, expenses typically do not increase by the same magnitude (if at all). Therefore, distributable cash flow and dividends/distributions to shareholders may grow at a faster rate.¹

5. Tax Basics

MLPs pay distributions to unit holders in cash. However, since MLPs are pass-through entities, each limited partner unit is entitled to its share of the non-cash deductions (such as depreciation and amortization) associated with the business. The portion of these non-cash expenses allocated to the limited partners reduces taxable income on the distribution by an equal amount. However, the passive loss limitations under Section 469(k) of the Internal Revenue Code of 1986, as amended ("IRC") may affect the timing of when the deductions may be taken. In many cases, a new MLP will have a tax deferral of greater than 80%. In other words, for every dollar of cash received, only 20 cents is taxed at the unit holder's ordinary income rate in the year in which it is received.

It is important that investors understand that in general, ordinary deductions allocated to the investor will be recaptured as ordinary income when the units are sold.² Taxes on the deferred portion of the distribution will be "recaptured" when the units are sold rather than in the year in which the

¹ Salient Capital Advisors, LLC, January 2014.

² As pursuant to IRC §§ 751 and 1245.

distribution is received up to the amount previously recognized as depletion. In addition to the recapture of distributions, unit holders will be subject to capital gains taxes when the units are sold at a gain for the portion above the initial cost.

For example, assume an individual buys an MLP unit for \$20.00 which is yielding 10% and has a tax deferral of 80%. Each year, the unit holder receives a \$2.00 distribution, of which \$1.60 is deferred ($80\% \times \2.00). The remaining \$0.40 of the distribution is subject to ordinary income tax in the year received. At the end of year three, suppose the unit holder sells the unit for \$23.00. The capital gain would be \$3.00 (\$23.00 minus \$20.00), and the amount of recapture allocated to the unit holder's ordinary income would be \$4.80 (\$1.60 per year times three years). Please see the table below.

Hypothetical Example of MLP Taxation			
	Year 1	Year 2	Year 3
Purchase Price	\$20.00	-	-
Sale Price	-	-	\$23.00
Capital Gain	-	-	\$3.00
Distribution per Unit	\$2.00	\$2.00	\$2.00
Distribution Subject to Tax (20%)	\$0.40	\$0.40	\$0.40
Deferred Distributions (cumulative)	\$1.60	\$3.20	\$4.80
Taxation:			
Current Year Distribution	\$0.12	\$0.12	\$0.12
Deferred Distributions (30% tax rate)	-	-	\$1.44
Capital Gains (15 % tax rate)	-	-	\$0.45
Total Tax	\$0.12	\$0.12	\$2.01
Total Holding Period Return, Net of Taxes (%)			33.80%

For illustrative purposes only. Salient Capital Advisors, LLC does not provide tax advice. Please contact your tax professional to determine how the information contained in this presentation may apply to your situation.

Source: Salient Capital Advisors, LLC.

Like inherited stock, inherited MLP units receive a “step-up” in basis upon the death of the owner.¹ For estate tax purposes, the value of the unit is its fair market value, and that becomes the new basis for the heir going forward. Any capital gains or recapture of ordinary income is eliminated, which often makes MLP units a viable option for estate tax management.

¹ As pursuant to IRC §§ 754 and 1014.

Unrelated Business Taxable Income (“UBTI”)

Many tax-exempt investors are apprehensive about investing in MLPs due to Unrelated Business Taxable Income², which is typically generated from any activity engaged in by a tax-exempt organization that is not related to the purpose of that organization.

In general, a business activity is an unrelated business (and generates unrelated business income subject to taxation) if it meets three requirements:³

1. It is a trade or business,
2. It is regularly carried on, and
3. It is not substantially related to furthering the exempt purpose of the organization.

Since MLPs are publicly-traded partnerships which pass income and cash flow through to unit holders, public unit holders are therefore considered to be “partners” in the business. Said another way, a unit holder in a natural gas pipeline MLP is considered to be in the natural gas pipeline business. For a tax-exempt institution, the natural gas pipeline business would likely violate all three of the requirements above and income generated by the partnership would therefore be subject to taxation.

MLP K-1s can often be complicated, and it is quite difficult to predict in advance whether or not UBTI will be generated. In order to avoid potential UBTI issues, some tax-exempt institutions invest in MLPs utilizing total return swaps. In a total return swap, an outside counterparty – typically an investment bank – utilizes its own balance sheet to purchase the MLP, and passes through (or swaps) the income and capital gains/losses to the investor in exchange for a pre-determined borrowing rate. Since the investment bank is viewed as the owner of the MLP portfolio, the UBTI risk to the tax-exempt institution is usually eliminated. In addition, Treasury Regulation 1.512(b)-1 specifically excludes income from notional principal contracts from UBTI.

Other structures also exist that help mitigate the UBTI issues, including open- and closed-end funds structured as C-Corporations, exchange traded notes and funds, and MLP i-shares (the “i” stands for “institutional”). Please see “Alternative Means of Investing in MLPs” below for further details.

Alternative Means of Investing in MLPs

For many individual investors, the administrative burden of receiving a Schedule K-1 is reason enough not to invest in MLPs. Likewise, tax-exempt investors have sometimes avoided investing in MLPs due to potential UBTI issues. Since necessity is often the mother of invention, several structures have been created that attempt to address the K-1 and UBTI concerns including closed-end funds, open-end funds, exchange traded funds, and exchange traded notes. However, each of these structures has potential drawbacks.

Closed-end funds (“CEFs”) provide investors with a 1099 instead of a K-1, which eases the tax filing process for most investors. Further, CEFs do not generate UBTI, thus alleviating the concerns of tax-exempt investors and IRAs. Distributions received from CEFs typically are treated as some mix of

² As defined by IRC § 512.

³ As pursuant to IRC §513.

return of capital, qualified dividends, and capital gains for income tax purposes. However, many CEFs are structured as C-Corporations since traditional Registered Investment Company (RIC) structures have limitations on owning MLPs. This can be a headwind to net asset value (“NAV”) growth since the funds must accrue a tax liability at corporate tax rates. Further, since they trade like equity securities on an exchange, CEFs may trade at a discount or premium to the underlying NAV.

Open-end funds also provide a 1099 and avoid UBTI, and alleviate the premium/discount issues of CEFs since subscriptions and redemptions are done at NAV. However, many open-end funds currently on the market are also structured as C-Corporations and must accrue a tax liability, which serves to reduce NAV.

Exchange traded funds (“ETFs”) are passive vehicles that are typically based on an MLP index, provide a 1099, avoid UBTI, and trade freely on a stock exchange. However, the current ETFs are structured as C-Corporations and have the same inherent tax liability impact on NAV as CEFs and open-end funds.

Like ETFs, exchange traded notes (“ETNs”) are passive vehicles that are typically based on an MLP index, provide investors with a 1099, avoid UBTI, and trade freely on a stock exchange. However, strictly speaking, ETN investors are exposed to the full faith and credit of the institution that issues the note. In addition, since they are structured as notes, distributions from ETNs are considered interest income (not dividend income). Further, fees for some ETNs are similar to actively managed strategies.

The table below summarizes the alternative structures.

	Open-End Funds	Closed-End Funds	ETNs	ETFs
Active Management	✓	✓		
Publicly-Traded	✓	✓	✓	✓
NAV Pricing	✓			
Use of Leverage		✓	Some	
Counterparty Risk			✓	
Legal Structure	Taxable C-Corp or RIC	Taxable C-Corp or RIC	Note	Taxable C-Corp or RIC
Corporate Level Tax Drag*	✓	✓		✓
Tax Form	1099	1099	1099	1099
Blocks UBTI	✓	✓	✓	✓
Dividend Treatment	Mostly Return of Capital	Mostly Return of Capital	Ordinary Income	Mostly Return of Capital

For illustrative purposes only.

Source: Salient Capital Advisors, LLC, January 2014.

*Applies to C-Corp Funds only.

6. Risks

Each individual partnership has its own set of risks, which generally include (but are not limited to) commodity price movements, declines in throughput volumes, integration and execution risks associated with acquisitions, damages from natural disasters or terrorism, and interest rate risks. Some of the risks to the MLP space as a whole are discussed below.

Economic Weakness. While equity markets have performed relatively well following the 2008 financial crisis, the U.S. and global economies have not recovered as quickly as they have following previous recessions. Many economists expect the economy to continue to limp along at approximately a 2% growth rate, but there are some that argue for higher growth and yet others that see a looming recession. If the economy experiences another round of weakness, MLP returns may be impacted.

Treasury Rates.¹ As of December 31, 2013, the yield on the 10-Year Treasury was 3.03% vs. the December 2012 close of 1.76%. On average, economists at the major investment banks expect the yield on the 10-Year Treasury to be 3.40% at the end of 2014 (with a range of 2.5 to 4.0%). While MLPs have historically had a low correlation to Treasury rates, a rapid, dramatic move upward in Treasury yields may create some near-term pressure on MLPs.

Credit Spreads. MLPs have historically exhibited a relatively high correlation to major credit spread widening (and tightening) events. It has been relatively quiet recently, but if debt issues in either the U.S. or globally begin to escalate once again, both investment grade and high yield credit spreads could be negatively impacted. Such a situation would most likely negatively impact MLP valuations.

Commodities. Prices for both natural gas and NGLs have been weak for a while now (natural gas since 2009, NGLs since May 2012). However, the recent boom in U.S. crude oil production has created significant growth opportunities for midstream infrastructure providers. Should oil prices experience a significant and prolonged decline that leads to lower future production (and thus fewer growth opportunities for MLPs), valuations may be negatively impacted.

Fund Flows. Positive fund flows have been a major contributor to the performance of MLPs over the past few years. Investors remain concerned about the low rates on bonds and CDs not meeting their income needs, as well as the potential drop in bond prices if yields increase rapidly. MLPs have often been seen as an alternative to bonds due to higher yields and the ability to grow the distribution to offset any potential increase in interest rates. While we believe near term fund flows will continue to be strong, we could see investors ultimately return to traditional fixed income instruments if rates rise quickly.

Tax Law Changes. We believe this is unlikely in the absence of overall tax reform (see page 6 for reasoning), but any negative change in the tax code would likely have a detrimental impact on MLPs.

¹ Source: Bloomberg, Salient Capital Advisors, LLC. December 31, 2013.

7. Glossary

1. **10-Year Treasury** is a debt obligation issued by the United States government that matures in 10 years. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. **RISKS:** Interest rate risk (as interest rates rise bond prices usually fall), and inflation risk exist.
2. **% Split** is the percentage split of the incremental cash flow between the limited partner and general partner.
3. **Alerian MLP Index (AMZ)** is a composite of the 50 most prominent energy MLPs that provides investors with a comprehensive benchmark for this emerging asset class. **RISKS:** Discussed throughout this material include tax related risks due to their partnership status, unlike the other asset classes discussed, as well as possible higher volatility than the majority of the other asset classes discussed.
4. **Alpha** is the excess return of the fund relative to the return of the benchmark index's return.
5. **Barclays Capital U.S. Aggregate Bond Index:** a composite comprised of the Barclays Capital U.S. Intermediate Government/Credit Index and the Barclay Capital Mortgage-Backed Securities Index. All issues in the index are rated investment grade or higher, have a least one year to maturity, and have an outstanding par value of at least \$100 million. **RISKS:** Interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, and inflation risk exist. As a lower-quality debt security, this involves greater risk of default or price changes and is more volatile than Bonds and T-Bills.
6. **Barclays U.S. High Yield Bond Index:** a U. S. Aggregate index that is comprised of fixed-rate, publicly issued, non-investment grade debt. **RISKS:** Interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, and inflation risk exist. As a lower-quality debt security, this involves greater risk of default or price changes and is more volatile than Bonds and T-Bills.
7. **Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market.
8. **Compound Return** is the rate of return that represents the cumulative effect that a series of gains or losses has on an original amount of capital over a period of time.
9. **Consumer Price Index (CPI)** is the measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living
10. **Cumulative Return** is the aggregate amount that an investment has gained or lost over time, independent of the period of time involved.
11. **Distribution Schedule** is the schedule of distributions at an annual rate.
12. **Dow Jones U.S. Utilities Index:** measures the performance of utility companies within the United States. **RISKS:** Non-diversified and therefore may be more volatile than the S&P 500 Index.
13. **Down-Market Capture Ratio** evaluates how well or poorly an investment manager performed relative to an index during periods when that index has dropped.
14. **Growth** is the process of improving an enterprise's success, which can be achieved either by greater revenue or by increasing the bottom line or profitability of the operation by minimizing costs. In the context of the piece, growth refers to distribution growth.
15. **Incremental Distributions** is the limited partner's and general partner's share of the incremental increase in the distribution rate.
16. **Max Drawdown** is the maximum peak-to-trough decline during a specific record period of an investment, fund or commodity.
17. **Moody's Baa** is an investment index comprised of medium grade, moderate risk bonds as rated by Moody's (an independent, unaffiliated research company that rates fixed income securities). **RISKS:** Interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, and inflation risk exist.
18. **MSCI U.S. REIT Index:** a free float-adjusted market capitalization index consists of equity REITs that are included in the MSCI US Investable Market 2500 Index, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. **RISKS:** Real estate industry concentration risk (non-diversification), interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, and inflation risk exist.
19. **Russell 2000 Index:** an index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks.

20. **S&P 500 Total Return (TR) Index:** a stock market index based on the common stock prices of 500 top publicly traded American companies. **RISKS:** Can be affected by general market or economic conditions.
21. **S&P 500 Utilities Index:** an unmanaged index considered representative of the utilities market. **RISKS:** Can be affected by general market or economic conditions.
22. **Sharpe Ratio** measures the risk-adjusted performance of an investment.
23. **Sortino Ratio** differentiates between upward and downward volatility, allowing the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.
24. **Standard Deviation** is the annual rate of return of an investment to measure the investment's volatility.
25. **Total Quarterly Distribution** is the total quarterly distribution rate allocated between the limited partner and general partner, including the general partner's incentive distribution rights.
26. **Up-Capture Ratio** evaluates performance relative to an index during periods when the index has risen.
27. **Valuation** is the change in yield during the period $((\text{Beginning yield} - \text{ending yield}) / \text{Beginning yield})$.
28. **Yield** reflects the income return on an investment expressed as a ratio of income divided by current value of investment expressed as an annualized rate $(\text{annualized income} / \text{value of investment} = \text{yield})$.



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