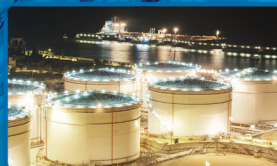


Real Assets

A Good Portfolio Diversifier and Master Limited Partnerships (MLPs) as an Implementation Choice

MARCH 2015



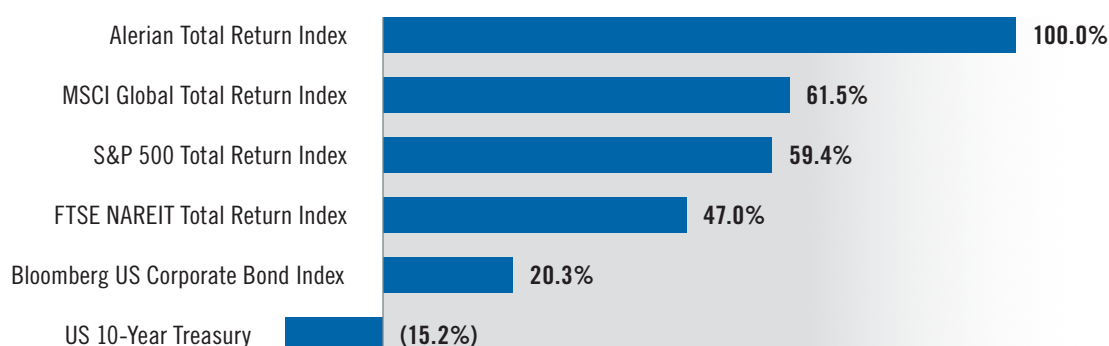
MLPs: A Compelling Component of a Real Assets Program

Real Assets are increasingly playing a central role in investment strategies of US Institutional Investors as they seek to gain the benefits of enhanced risk-adjusted returns achieved through portfolio diversification. A recent institutional investor survey conducted by Greenwich Associates¹ concluded that 90% of Professional Investment Consultants that recommended a real assets allocation to their institutional clients did so primarily due to the portfolio diversification benefits.

MLPs are a liquid Real Asset which can be an effective implementation vehicle to achieve additional portfolio diversification while benefiting from historically strong risk and reward characteristics².

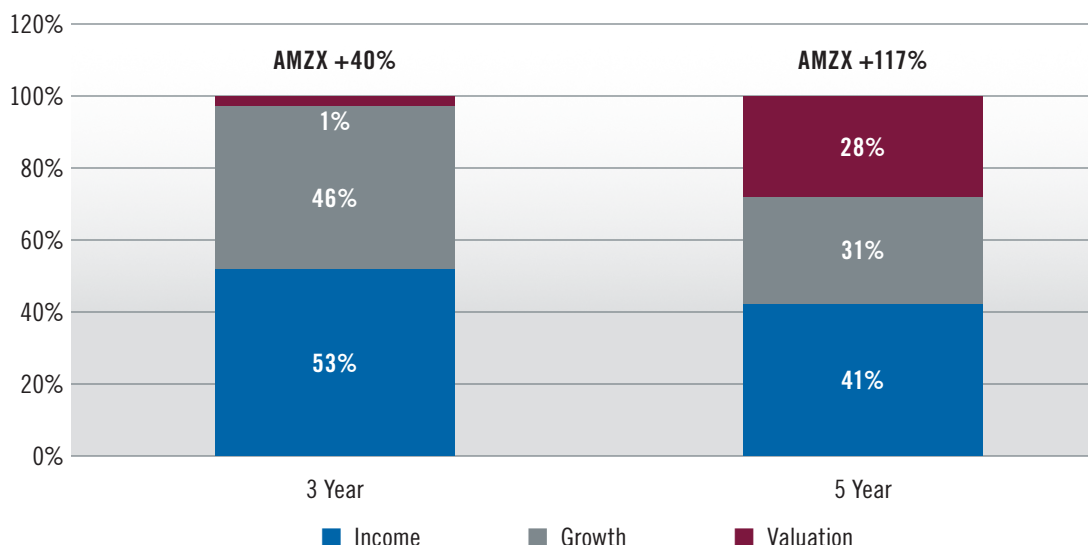
MLPs have historically served as a compelling portfolio diversifier as a result of their low correlation with other traditional asset categories including Equities, Bonds, and other assets.

Asset Class Correlation – 5 Year



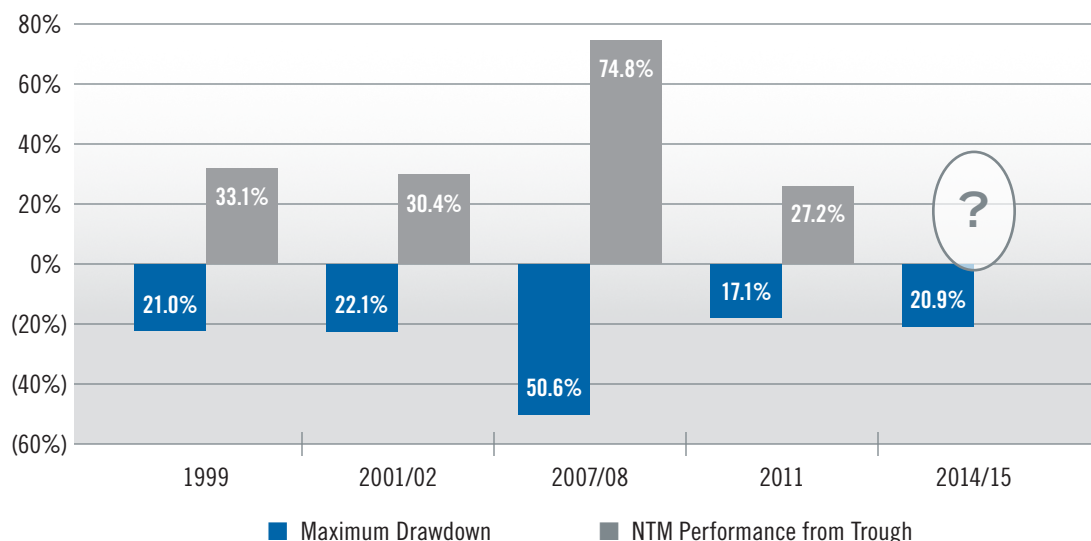
A driver of their differentiated performance is the sector specific nature of their investments (Energy Infrastructure) as well as the sources of investment returns including distribution payouts (income), growth of the distributions (growth), as well as MLP price appreciation (valuation)³.

Income and Growth Have Been the Largest Drivers of MLP Returns



While MLPs have historically exhibited similar volatility to other asset classes (as measured by standard deviation) the asset class has proven to be fairly resilient exhibiting only a handful of instances in the past 18 years of drawdowns of 15% or more³. Additionally, MLPs have exhibited relatively strong performance in the 12 months post reaching the low point, or “trough”, of each of the drawdowns.

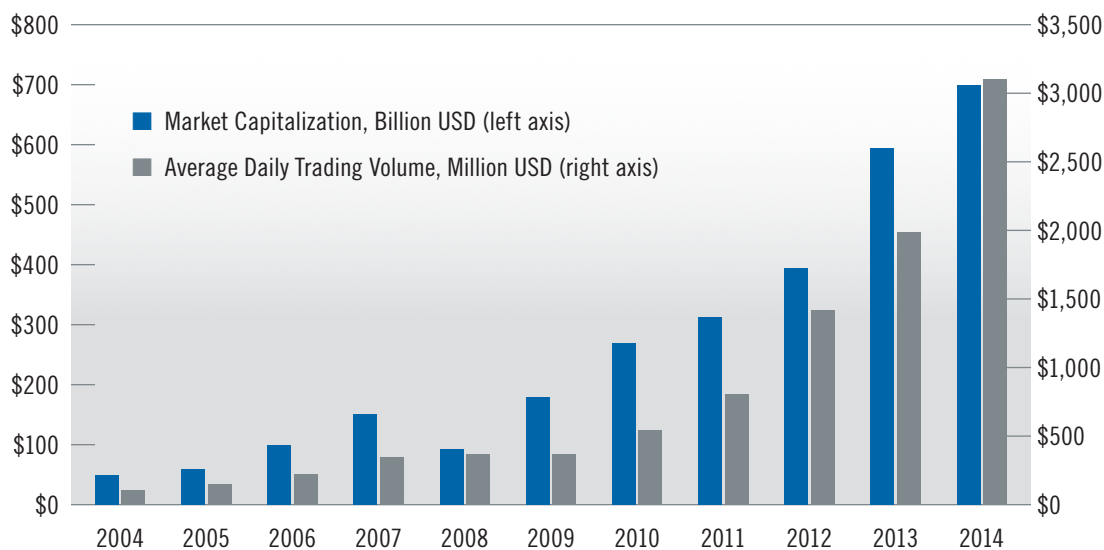
Limited Instances of Significant Drawdowns in Past 18 Years



MLPs: A Growing, Liquid Asset Class

The market for MLPs has exhibited fairly consistent growth each year over the past decade. Following the rise in market capitalization, trading volume has increased and is expected to continue to grow due to greater institutional participation in the space.

Market Capitalization and Daily Trading of MLPs Has Risen Consistently

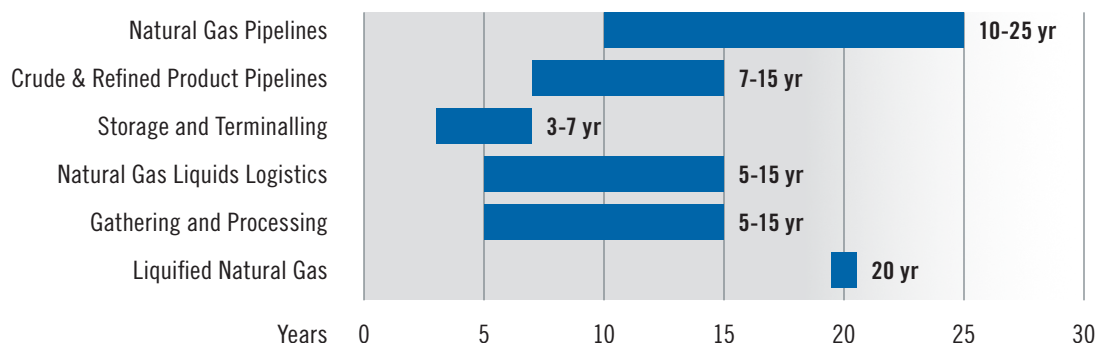


The increasing liquidity allows for MLPs to potentially play an important role in portfolio construction as the more flexible, liquid component within a real assets allocation that may be inclusive of other assets with less liquidity⁴.

Within MLPs – Focus on Midstream Infrastructure Which Benefits from Contracted, Fee-Based Cash Flows

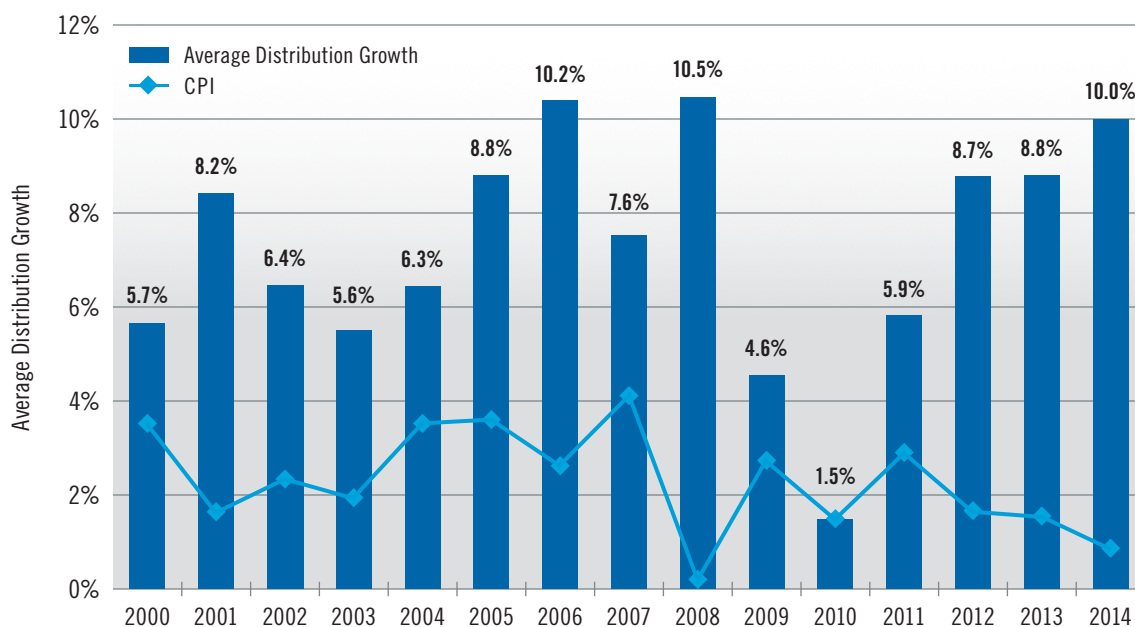
Midstream infrastructure is any asset used to connect wellhead production to end use demand. This can be a natural gas pipeline connecting production in one area with gas-fired power plant demand in another. Or this can be a refined products pipeline connecting refinery supply of gasoline, diesel or jet fuel to customers in other markets. Whatever the asset, the majority of cash flow is contracted and fee-based which gives a greater amount of certainty to annual cash flows. Additionally, almost all of these fee-based contracts have annual inflation escalators or rate renewals tied to CPI and PPI.

Contract Length by Subgroup



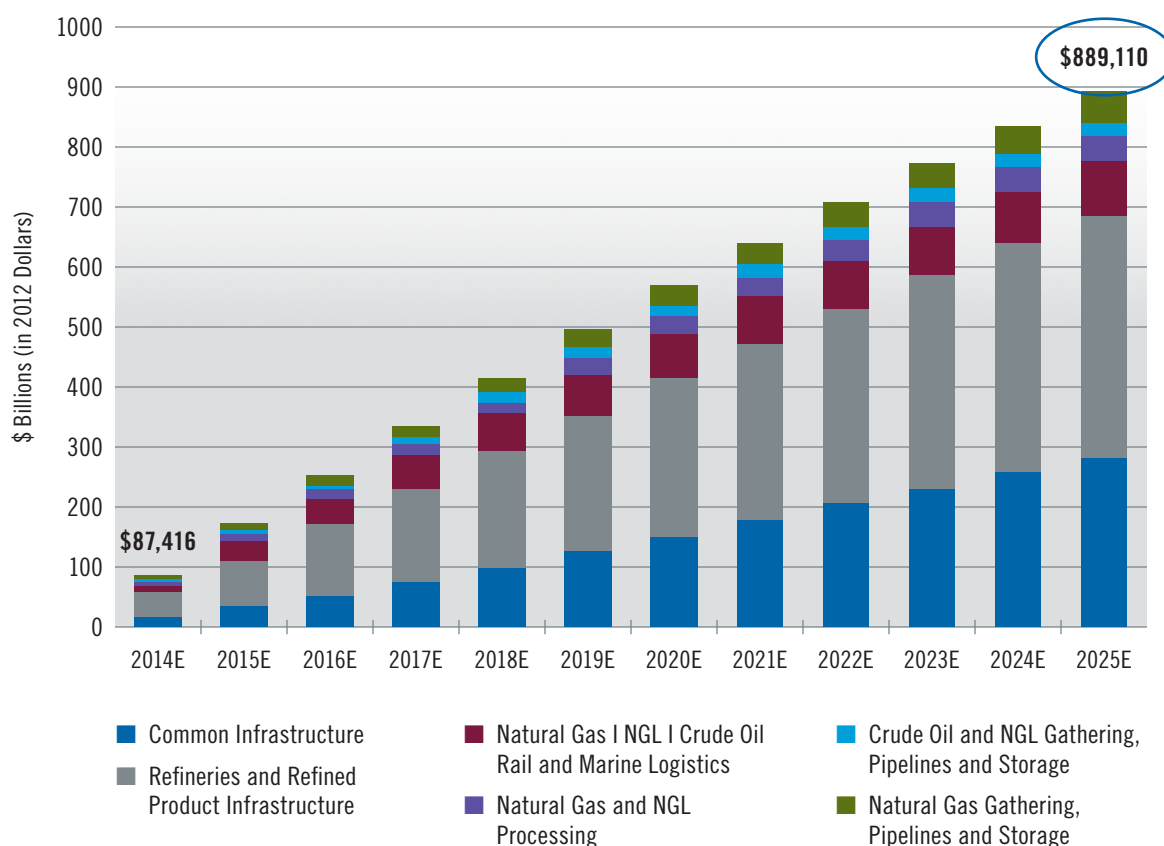
Stability of current cash flow is an important component of midstream infrastructure investing. Growth in cash flow can be just as or more powerful in the composition of total return. Growth can be driven by structural factors such as annual rate and volume increases, new cash flow from organic project development, or accretion from mergers and acquisitions. However growth accrues to companies and the space in general, the historical growth of average distributions has been robust and nicely outpaced inflation as measured by CPI⁵.

Historical Average MLP Annual Distribution Growth Relative to Inflation (CPI)



The outlook for midstream energy investment is robust. A January 2014 study from IHS⁶ forecasted the investment opportunity to be \$889bn over the next decade driven not just from increases in domestic production but from new sources of domestic and international demand for natural gas, natural gas liquids (NGLs) and refined products.

Direct Capital Investments Cumulative



In Conclusion

For investors seeking to employ a real assets allocation in their portfolio, publicly traded MLPs can be a relatively more liquid component of an overall real assets program which may feature less liquid exposures in the private markets. Additionally MLPs can contribute attractive risk adjusted returns to the entire portfolio typically with a lower correlation to more traditional asset classes such as Equities and Bonds. An actively managed portfolio of midstream focused MLPs should continue to benefit from the robust outlook for infrastructure spending in the coming decade and beyond as well as the attractive underlying fundamentals of long term fee based contracts which can deliver appealing cash flow to investors.



Chickasaw Capital Management, LLC is a leading MLP investment manager serving institutions, financial intermediaries, and high net-worth individuals. The firm's investment professionals have been continuously involved with the MLP market since the early days of the structure and have played a direct role in the evolution of the MLP space — including their involvement with MLP IPOs and innovative capital funding techniques. The firm's leaders maintain longstanding relationships with MLP management teams, providing a strong foundation for their intellectual capital in this dynamic market. To learn more, visit www.chickasawcap.com.

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(1) Greenwich Associates, Real Assets: An Increasingly Central Role in Institutional Portfolios, 11/10/2014.

(2) Data provided by Bloomberg, LP.

(3) Data from Alerian.

(4) The historical market capitalization and average trading volumes is for energy MLP interests which include securities issued by MLPs that are organized as partnerships or limited liability companies which elect to be taxed as partnerships and securities that offer economic exposure to MLPs from entities holding primarily general partner or managing member interests such as MLP i-shares and common stock of C-Corps that control general partners. Specific company information is available upon request.

(5) The annual distribution growth rates for 2000 through 2014 is sourced from Barclays Capital.

(6) IHS, Oil and Natural Gas Transportation and Storage Infrastructure: Status, Trends and Economic Benefits, December 2013.

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