Chickasaw Capital Management

APRIL 12, 2021

MIDSTREAM UPDATE

FIRST QUARTER 2021

Climbing the Wall of Worry

The old Wall Street axiom "climbing the wall of worry" was frequently used by our late partner David Fleischer to describe that equities don't go up in a straight line, instead exhibiting some pattern of two steps forward, one step back. In the end, time has the potential to heal market misperceptions. That phrase has been very present in our minds of late as we think about first quarter themes and performance while considering the outlook for the near to medium term. As always, we'll tackle several topics in the newsletter, but we want to emphasize four key takeaways that will be referenced throughout:

- Midstream companies have positioned themselves well after the unprecedented hit to demand and supply in 2020. Balance sheets remain healthy and free cash flow (FCF) yields are well above the broader equity market, giving companies optionality and flexibility, particularly regarding debt repurchases and stock buybacks. Capital expenditure plans remain appropriately subdued.
- Commodity fundamentals are strong, particularly in natural gas and natural gas liquids (NGLs), and oil prices appear to be well-managed by the Organization of the Petroleum Exporting Countries (OPEC), as demand recovers.
- Fund flows remain weak, but we believe quantitative (machine) money has turned supportive. This should help reduce volatility and give traditional (human) investors more perceived comfort to invest.
- Macro factors such as low treasury yields, low inflation, and a strong U.S. dollar, may in part, or in whole, turn from headwinds to tailwinds (higher, higher, weaker) for larger allocation models.

Quarterly review

Performance was healthy during Q1:21 as the Alerian MLP Total Return Index (AMZX) increased +21.95%. While we're glad the momentum from Q4:20 continued, we have still not recouped the remainder of what has been "lost" since 12/31/2019, as the AMZX remains down (13.03%) and the Alerian MLP Index (AMZ; price only) is down (24.3%) since that date. Valuation remains historically inexpensive at 5.4x price to distributable cash flow (P/DCF) per unit vs. an average of 7.3x since the end of 2015.

Taking a look at the final tally for the Model Portfolio in 2020 (all weighted averages):

- Reported earnings before interest, taxes, depreciation and amortization (EBITDA) decreased (4.7%), and was down (4.9%) versus pre-pandemic guidance.
- Reported DCF/unit was down (4.5%)[1].
- Both EBITDA and DCF/unit were aided by selling, general and administrative (SG&A) and operating expenses being down (9.7%), and company commentary indicates the majority of this is "sticky". The portion that may return is associated, in many cases, with increased revenue or cash flow.

[1] Uses CCM calculations for DCF/unit for TC Energy Corp (TRP) and Western Midstream Partners LP (WES), which each have stopped reporting DCF/unit.

MLP COMPOSITE

Annualized Return

Trailing as of 3/31/21	Net	Alerian MLP Total Return	S&P 500 Total Return
Month-to-Date	6.45%	6.91%	4.38%
Quarter-to-Date	18.97%	21.95%	6.17%
Year-to-Date	18.97%	21.95%	6.17%
1 Year	90.33%	103.13%	56.35%
3 Year	-6.52%	-2.98%	16.78%
5 Year	-2.70%	-1.30%	16.29%
10 Year	2.60%	-0.93%	13.91%
Inception	4.58%	3.94%	9.89%

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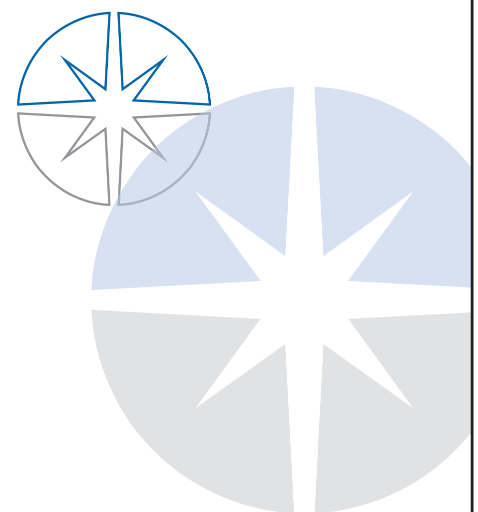


- Growth capital expenditures decreased ~$5.8 billion, or ~28%, versus pre-pandemic guidance.
- Debt to EBITDA (D/EBITDA) leverage was 4.0x at year-end versus 3.8x at year-end 2019, which mostly reflected the year-over-year decrease in EBITDA.
- Total authorized buybacks across the Model Portfolio increased from $4.3 billion to $7.4 billion in 2020.

Looking at those figures, one could ask how the AMZX remains down since 12/31/19, after proving to be relatively resilient to unprecedented demand and supply shocks? However, the taint of distribution cuts that occurred mostly last spring, extreme volatility in the price of crude oil, and the tendency for investors to apply projections of a seamless energy future to the present have likely had an outsized influence on muting investor allocations/re-allocations to the space. We'll discuss Midstream's role in an energy future in another section. As for distributions and dividends, we believe the majority of cuts are already announced and behind us. Coverage ratios remain very high relative to history at 2.06x for the AMZX in 2021, giving investors a greater buffer for current income.

Looking forward we'll keep it simple:

- Wall Street consensus estimates the AMZX's 2021 DCF/unit growth to be (2.8%), with 1H:21 suffering from the difficult year-over-year comps, and growth picking up in 2H:21 and continuing through 2022, which analysts estimate will experience 6.1% DCF/unit growth.
  - We believe initial 2021 guidance given by companies this quarter could prove to be conservative as the year progresses.
- The FCF yield on the AMZX is 15% vs. the S&P 500 Index at 3.8%.
- We project leverage should remain flat to slightly down, with improvement through the year.
- We believe buybacks are poised to see increased activity as 2021 progresses.
- The market is increasingly focused on 2022 and, in some cases 2023 estimates, to understand current trough-cycle multiples and what multiples could look like in mid-cycle or higher cases.

Company visits & thoughts on terminal value

During March we met on site with 12 of our portfolio companies, as well as other private contacts. We were either their first or second in-person meeting since March 2020, and, if we were second, we were also their first meeting back in September 2020. Several themes remain true:

- Underlying business fundamentals are good, and 2H:21 and 2022 should demonstrate better year-over-year growth metrics. After getting hit by the perfect storm of supply and demand shocks, they're wondering why they don't get more credit for how their businesses held up.
- They're weary of hearing questions about capital allocation. They already 'get it' and with all the Free Cash Flow after Dividends or Distributions (FCFaD) potentially available to them this year and in future years, combined with fewer near-term investment options, the obvious and logical choice is to reward equity holders by reducing their capital structures.
  - Additionally, the higher cost of capital placed on their equity currencies continues to keep share repurchase competitive with new capital investment opportunities.
- Many companies indicated there is very little interest in discussing higher capital spending plans.

There is a real narrative forming in how Midstream companies fit into the energy evolution. Regarding their base businesses, we believe they'll continue using FCFaD to reduce their capital structure through equity repurchase and D/EBITDA maintenance or reduction goals. This strategy should take place over the next decade and serves as a form of capital structure "insurance" in the case that the energy transition, particularly for crude oil usage, accelerates quicker than current forecasts. Unfortunately, some voices in the market want to accelerate the strategy shift to the here and now, rather than seeing the logical progression over time.

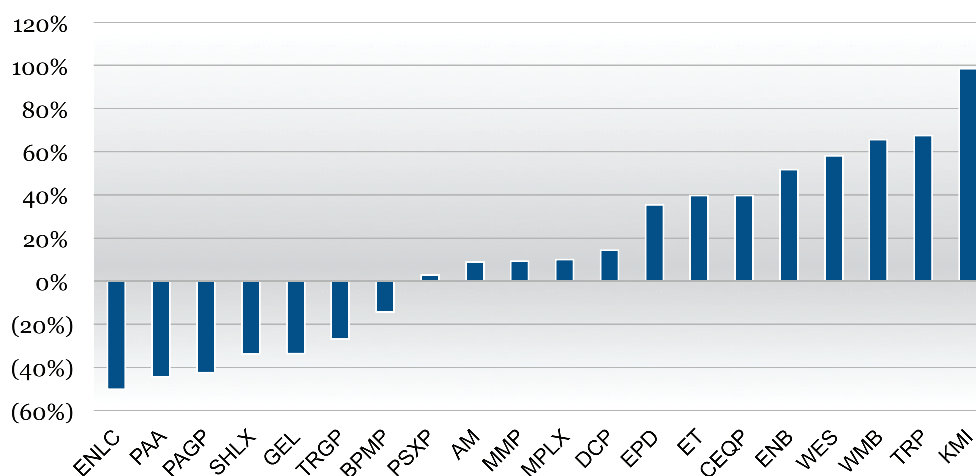
At the same time, most of these companies already have clean/renewables investment teams and are concentrating on brownfield and greenfield opportunities. The opportunity set may be small at first, but as technology and economies of scale are increasingly gained across biofuels, hydrogen, renewable gas, and other logical sources requiring infrastructure, company investments may scale as well. We know this transition sounds early-stage, but where else might one get to invest in the clean energy evolution, at historically low company valuations, while also having the internally generated cash flow to allow the investment picture to paint itself?

> "Couldn't it be that Midstream companies are actually the most logical ones to develop and distribute emissions technology, repurpose assets, and use embedded connections with energy consumers to play a large role as our economy transitions? We aren't aware of one company we cover that isn't focused on this new direction."

Because some market participants believe the clean energy transition path is certain, so is the narrative that hydrocarbons are dead, and therefore Midstream assets should be viewed as impaired—hence this constant debate around terminal value. Our tongue is firmly in cheek, and we believe this analysis represents Excel-jockeying at its finest. For as much as a large majority of companies have a substantial wedge in their Net Zero emissions goals for trees and "not-yet-known" technology, Midstream companies are subject to the inverse where somehow the cash flows run out in a 20- or 30-year, theoretical model. Couldn't it be that Midstream companies are actually the most logical ones to develop and distribute emissions technology, repurpose assets, and use embedded connections with energy consumers to play a large role as our economy transitions? We aren't aware of one company we cover that isn't focused on this new direction.

To reiterate our position from previous newsletters, we support the energy transition 100%, and expect to play a meaningful role in helping our companies move to a greener future as practically possible. We also expect to play a critical advisory role in optimizing their capital structure, while pushing new capital investment to increasingly pursue clean goals.

The market may be lacking creativity in thinking about how traditional energy infrastructure plays a role in the energy future, but the companies themselves certainly are not. This group is being priced like a car driving off the cliff. Additionally, as described earlier, all you have to do is talk with management teams to know they're not ignorant of the situation, and are making plans to steer towards a cleaner future before we even near the exit for the cliff. Many Midstream companies continue to trade at large discounts to the present value of the next 10 years (PV10) based on our free cash flow to equity (FCFE)-based discounted cash flow valuation methodology, before even considering terminal value, which we believe is overly punitive as well.



CCM estimates 3/31/21

Finally, private equity buyers appear to indicate fewer concerns with terminal value as recent transactions were executed at multiples well in excess of the current 8.4x Enterprise Value to EBITDA (EV/EBITDA) multiple estimated by Wells Fargo Securities[2].

- On 2/22/21, Kinder Morgan Inc (KMI, $16.53) and Brookfield Infrastructure Partners LP announced a 25% sale in Natural Gas Pipeline Company of America LLC to ArcLight Capital Partners LLC for $830 million, implying an EV/EBITDA of 11.5x[3].
- On 4/5/21, Sempra Energy (SRE, $134.28) announced a 20% sale in its Sempra Infrastructure Partners unit to KKR & Co Inc (KKR, $51.33) for $3.37 billion, implying an EV/EBITDA of 14.0x.

[2] Wells Fargo Midstream Monthly Outlook: April 2021
[3] On April 21, 2021, KMI disclosed an EV/EBITDA of 13.0x for this transaction, due to inflated maintenance expenditures during 2020, which temporarily lowered the EBITDA associated with this asset.

And as important as the multiples are to discerning Midstream infrastructure values, it needs to be emphasized that both of these transactions are non-controlling equity investments.

Fund flows

This topic remains the hardest to place our finger on, and while we can't accurately predict the when and by how much, it has only increased the emphasis in our messaging to companies to incorporate share repurchase activity into their corporate plan. At worst, this keeps the companies as the incremental buyer of their equity while awaiting fund flows, as they all understand the positive, accretive financial ramifications from this strategy. For the record, even in a +21.6% quarter, the sector saw ($571) million of net outflows among its publicly traded products, driven by ($680) million lost from active products[4].

However, we think qualitative investors are missing out on some key quantitative drivers occurring outside of their periphery. As the J.P. Morgan Quantitative and Derivatives Strategy Team, led by Marko Kolanovic, highlighted in their February 10, 2021 report[5], the S&P 500 Energy sector had a 10.6% allocation in portfolios from 2010-2015. It has steadily declined to 2.8% as of the end of the quarter driven mostly by active declines to 1.5% from 7.0%. Unemotional quantitative money follows momentum factors, whether human or machine driven, which increased the velocity of the energy moves seen in 2020 given March's sharp sell-off and the financial impacts from the dual supply and demand shocks. During this period, quantitative flows increasingly kept the liquidity "negative" in Energy so that even if fundamental investors wanted to "buy the dip", quantitative money continued to follow the negative momentum signals and pressure security pricing.

They now believe we are cycling through 6-month and 12-month negative signals, particularly with the improvement in security prices the past six months and the improving year over year financial metrics, and quantitative money is positioned for energy inflows for the first time in years. As they pointed out in an earlier piece, the positioning of the quantitative money has been the bigger driver of poor performance the past five years, not the media narrative of "no one wants to invest in energy again". Thus, qualitative investors' skill, which we believe has been mostly avoidance, could have important ramifications in the other direction if non-emotional money stays positive on Energy. As quantitative money potentially reverses and Energy theoretically approaches something closer to 6-7% of the S&P 500 Index, human portfolio managers and allocators tracking this index will have relative performance pressure to follow the increase in sector weight. This could create the positive feedback loop of quantitative money following their flows. As a simple example, if a manager has a 2% energy weighting versus the S&P 500 Index at 6%, and then the Energy sector rises 30% in a year, their underweight could cost them their career.

As we reiterated earlier, we are 100% in alignment that a cleaner future is needed, but we seek pragmatic solutions that are economically aligned and not just emotionally-driven. Over and over through experience we know it's one thing to have moral conviction, but we also believe humans tend to save their economic hides. It is possible that those who have positioned their portfolio to avoid fossil fuels without exception have had a "free ride" from quantitative flows the past five years, and they will have to reassess this position in the quarters and years to come. We've seen this movie before: 15% FCF yields are not attractive when sentiment is not there, but they can pile in at half the yield, or less, which could create prolonged buying pressure.

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Midstream implications from the winter storm Uri disruptions

The deep freeze that hit Texas and other parts of the South in February brought up many potential, important implications for long-term electricity supply and how Midstream infrastructure plays a role. While the financial and commercial details, government support for affected customers, charges within the open market nature of the Electric Reliability Council of Texas (ERCOT), and other items will probably take time to sort out, it is clear Midstream companies played a critical role during the crisis and could have expanded roles going forward.

[4] Source: Morningstar
[5] J.P. Morgan, "Market and Volatility Commentary", February 10, 2021

Texas has been increasingly moving its electricity supply to include more power generated from renewables such as wind and solar. Those sources are expected to supply 15-25% of ERCOT's generation sourcing annually. As we pointed out in last quarter's newsletter using KMI's California case study, higher renewables usage only increases the need for higher traditional sources of energy (coal, nuclear, natural gas, heating oil) to allow the grid to swap over when the wind doesn't blow or the sun doesn't shine. In Texas, even with its abundant natural resources, the state still suffered because the baseload wasn't properly backed up and the human tragedy was real. Sadly Texas' renewables goals could also be slowed as politicians and administrators continue to scrum over how quickly they need to proceed to a cleaner future.

We believe the implications for Midstream are positive. First, from all of our intelligence gathering, we have yet to find one gas pipeline servicing demand customers that experienced freezing or flow issues. There were some production field pipelines that froze as water produced during oil production made its way into the pipes and created frozen lines, but pipelines serving demand customers performed. Where there were issues it appears it was with power facilities not winterizing and being able to receive natural gas. Customer reliability was there even if the customers themselves weren't ready. Second, it's likely that natural gas storage is going to play a higher role in the energy value chain benefiting those with existing capacity and the ability to expand. This service has been de-emphasized over the past decade as gas supply has been plentiful and on-demand when needed, but all it takes is a crisis like this to demonstrate how customers could use additional storage to be better positioned for unforeseen events. Midstream will continue to face competition from renewables over time, but will also find opportunities to mutually benefit from these newer technologies. Meanwhile, the critical nature of the Midstream industry's assets to provide a clean burning fuel source during extreme events could keep the growth discussion more balanced over the next few years.

Armchair oil experts

We believe commodity fundamentals and the reduction of price volatility continue to present a strong set up for Midstream companies. For every 10 questions we receive about "the price of oil" we get one regarding natural gas and NGLs, which remain the more important drivers of midstream profitability and growth—yes growth. Nevertheless, everyone wants to continue to opine on oil because Midstream equity price performance remains highly correlated to the swings of this commodity, so it does matter. We think this actually provides a very nice set up for Midstream companies, but before expanding on that point we'll hopefully add some clarity to the market noise on oil.

Our oil forecast shows increasing levels of demand-based imbalance as we move through 2021 and into 2022. We highlighted the initial portion of this analysis last summer and the market seems to be coming around to our view—everyone wants to lead the parade after they see it's started. In the near term, OPEC plus Russia ("OPEC+") has done a fantastic job of balancing supply within its members, while holding the threat of their spare capacity barrels temporarily removed from the market as a short-term tool to curb other global producers', sovereign or corporate, growth ambitions. In other words, higher prices are not a signal for growth, rather the market is being managed to ensure profitability while demand heals. This is in direct contrast to the previous OPEC+ strategy, mostly Saudi Arabia-driven, which was concerned with market share over price. However, the most common interpretation of OPEC's most recent meeting on 4/1/2021 was that the group would not be re-engaging in a battle for market share, given they decided to begin increasing production over the next three months, as well as an increase in posted average selling prices. We would rhetorically ask, who knows the demand patterns of its customers better than OPEC and doesn't it make sense they're signaling supply matching demand?

Regardless, many pundits have a hard time thinking beyond the tip of their nose to explain or even understand the full implications of this strategy. To paraphrase a line that was told to us years ago, "you can have an opinion, but how well-founded is it?" First, OPEC+ is maximizing price in a market that otherwise would value their barrels less. Second, by using the threat of spare capacity that can return to the market, they are keeping needed investment in growth barrels around the world from taking place, particularly in the United States where investors have forced corporate adherence to cash returns to shareholders over growth in volumes. The lack of growth investment should allow Saudi and other OPEC+ members to grab greater market share in the medium-term, potentially allowing both volume and price growth as demand for petroleum products normalizes. They know the energy transition is going to take a long time to develop, and this strategy should maximize cash flow for the Saudis as they maintain domestic economic and social stability, lower volatility for their primary exported revenue source, and recycle cash flow from oil exports into diversifying their economy.

Before turning to our fundamental outlook across the commodities, it has to be mentioned that a policy of price stability is a distinct positive for all Energy securities including Midstream. The correlation to crude oil has been stubbornly high, and, even if incremental investors recognize value, the volatility of the oil price and the security correlation has made it difficult to choose entry points. Similar to the discussion on "Fund Flows", we believe quantitative positioning and money flow is setting itself up to be supportive.

What are the implications for North American hydrocarbon volumes then? Reviewing the data for natural gas and NGLs in 2020, many might be surprised to see each exhibited demand and supply growth. Total demand for gas was up 0.5% due to robust electric demand as well as liquefied natural gas (LNG) exports. Gas supply was down 1.6% reflecting the fall-off in associated gas from oil drilling, but that shortfall was partially filled by basins with more dry gas supply such as the Haynesville and Marcellus Shales. We are bullish on both gas volume and price, and that is reflected in our company weightings. Being price bullish is actually pretty new for us. Due to the fall-off from associated gas, increasing LNG exports, and lack of new investment in dry gas areas, we forecast a demand imbalance heading into winter, and expect to see the natural gas futures curve reflect this in the second half of 2021, if not sooner. We expect this trend to help Midstream companies and serve as a signal for producers to deliver higher volumes, instead of producing a windfall of higher prices times concurrent volumes.

NGL demand remained robust in 2020, growing 4.8% and driven primarily by the long-term global trend of Asian-bound liquefied petroleum gas (LPG) exports, higher petrochemical cracking demand, and the ability to substitute the cheaper propane and butane for more expensive crude oil in commercial and residential use. Whereas OPEC+ currently controls the incremental crude oil barrel, the U.S. is the incremental supplier of propane and butane (primary components of LPG), and U.S. export docks remain full. We are both price and volume bullish here, too. Similar to natural gas, because of the drop-off in crude oil-associated gas volumes, there is less supply to meet global demand; however, this is offset by a higher percentage of NGLs in the oil stream as older wells produce more NGLs than oil, commonly referred to as the gas to oil ratio (GOR). This is an often-overlooked potential driver of gathering and processing growth, and could help these assets generate more growth than what's implied by rig count data. Domestic petrochemical demand is robust, and we expect increased manufacturing and industrial use of plastics to be incremental to, not a replacement of, the growth that was seen in personal protective equipment (PPE) and packaging that buoyed demand in 2020.

As for crude, we expect modest growth in U.S. volumes in 2021 of +/- 500 thousand barrels per day (MBpd). The majority of new volume are likely to come from the Permian, and possibly the Bakken, where private operators can more easily capitalize on higher prices, while the public companies toe the line with the aforementioned global crude goals supply.

The proposed infrastructure bill

Like most other analysts and journalists, we see a lot of big numbers in the proposed infrastructure package announced by President Biden, but are awaiting specifics. While there does not appear to be any specific carve-outs for Midstream infrastructure, Midstream also does not truly need a carve out because the demand for hydrocarbon-based products could be sufficient to recover or exceed pre-pandemic volumes. Of course, this all assumes we find a way to pay for this infrastructure initiative and determine how much bipartisan support is necessary to carry the bill through.

For instance, the bill includes $115 billion for new roads and bridges which requires a lot of asphalt. This beleaguered product has yet to recover even 2008 demand levels as it was inextricably tied to the U.S. housing boom. There were 152.5 million barrels of asphalt supplied in 2008 which was 16.6% lower in 2019 to 127.1 million barrels, and down further in 2020 to 125.2 million barrels. It's not an aggressive estimation to forecast demand for this product recovering some good portion of what has been lost for the past decade plus.

Also, any infrastructure spending, by its hard asset nature, will require an increase in industrial intensity to make products. This will increase steel production, plastics demand, and glass requirements, to name a few, which logically increases natural gas consumption, NGLs needed, and gasoline and diesel demand.

Other bricks in the wall of worry

In the recent environment where Energy equity performance was below expectations, and allocators were generally rewarded if they were underweight Energy, what are the lingering questions keeping capital on the sidelines and are fears overblown?

Federal Lands

One of the first measures proposed by the Biden Administration was a moratorium on new permitting and leasing on federal land which includes onshore and offshore. The moratorium has since been lifted but even when it was in place new permits on existing leases were still being sanctioned, i.e. according to operators, it

was business as usual. On their 2/22/21 earnings call, Williams Cos Inc (WMB, $23.59) said,

> "We've seen applications or permits to drill, and already 60 of those have been issued in the Gulf of Mexico, 13 of those being on properties that are delivering to us. And then when you talk about permits for a modification such as work overs or things of that nature on existing wells, 163 of those have been approved by the current administration and 130 of those are on our asset footprint. So, we're seeing a lot of activity for permit approvals out there. In fact, we received our gas pipeline permit after the executive order for the wellhead (sic) projects."

Most of the commentary we've heard of late from the Department of the Interior is regarding the potential to increase royalty rates on federal lands, not the cessation of permitting. However, final rules are still to be determined, and we don't want to assume any finality even with our preceding comment indicating business as usual.

We believe the impact to onshore drilling will be *de minimis* as operators have secured permits to carry an estimated 4-5 years of drilling inventory, and even if that inventory were exhausted, they would likely shift production to non-federal land. Offshore drilling could emerge unscathed or not, and we don't know how to make that call at the moment. The cash flow from these businesses is highly contracted and predictable, but given that we believe the potential for sentiment to remain negative exists, we positioned the portfolio accordingly.

Capacity Concerns

The business of Midstream is to capitalize on customer volumetric needs. Sometimes there is too little capacity, and sometimes there may be areas of overbuild. Currently, there is a lot of focus on Permian crude oil pipeline takeaway capacity, which we estimate is ~70% utilized. Utilization was expected to be higher due to basin growth, but the demand shock from the pandemic and the control provisions placed into the market from OPEC+ (referenced previously) paint a less-than-robust near-term picture.

As is typical of many Midstream assets, the majority of the capacity is underwritten with minimum volume commitments by credit-worthy shippers, many of whom have had their credit enhanced as 2020 brought increased consolidation between E&P companies. This cash flow is contracted for the next 4-5 years at a minimum, which gives the industry players time to (a) wait for increased volumes, (b) repurpose assets, or (c) create an industry solution that includes some form of rationalization or increased connectivity to give supply-push and demand-pull customers higher optionality. This seemed clear from our onsite meetings, and reinforces that just because you may only hear from management once per quarter, don't assume they're just standing still.

Inflation

We've heard some concerns about inflation, but we have a hard time finding negatives for this industry or their security prices. As we've emphasized for years, there is no replacement for pipe in the ground, particularly as the regulatory construction environment has tightened. Even if one could perfectly put in a new regulated pipeline, the cost to comply at this point might erode too much of the economic benefit.

As described in the commodity section, we are stable to bullish on prices across the entire hydrocarbon value chain. If inflation were to pick up due to monetary instrument inflation, or outsized demand from an infrastructure bill, we think there is even more volume and price upside to the products Midstream infrastructure handles.

Lastly, if there is continued pressure higher on Treasury rates due to inflation expectations, many market strategists believe this will cause a rotation in fund flows from companies with infinite business models at low rates, to more traditional, or value, companies that make and produce "stuff" associated with economic inflation characteristics. Midstream clearly fits in the latter category.

Taxes

Harkening back to the Infrastructure section, and how will we pay for it, President Biden's plan indicated a clear preference to raise rates on corporations and individuals and families making over $400,000. This should bode well for the tax-advantaged returns that often are associated with Midstream investing. Additionally, we find it much more likely that the Biden administration chooses to prioritize lifting up the clean or alternative energy space, as opposed to 'tearing down' the traditional energy space. Biden and team have quite a few pressing items on the agenda, given the current state of the economy, international relations, and the domestic healthcare situation. Further, the typical politician's focus on the next election, combined with the narrow mandate with which the administration won the last election should help to reinforce to the administration that their political agenda ought to be friendly to swing states, including Pennsylvania, Ohio, and now (surprisingly) Texas.

CHICKASAW
CAPITAL MANAGEMENT

Thank you to our investors

Thank you to our investors for the patience needed over the past year so that better quarters, such as this one, can be enjoyed. Hopefully you agree the forward outlook is much better even if there are still topics to "worry" about, as Midstream companies move to a more self-determined decade where they exercise greater control over their financial future while embracing an evolving and cleaner future.

Geoffrey Mavar   Matt Mead   Robert Walker   Bryan Bulawa

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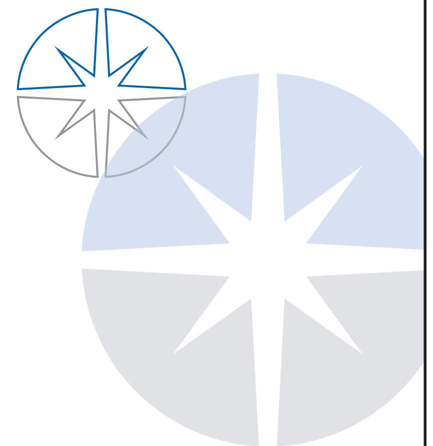

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The Alerian MLP Index is a composite of the most prominent energy Master Limited Partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated real-time on a price-return basis (NYSE: AMZ), and the corresponding total-return index is disseminated daily (NYSE: AMZX). Relevant data points such as dividend yield are also published daily. For index values, constituents, and announcements regarding constituent changes, please visit www.alerian.com.

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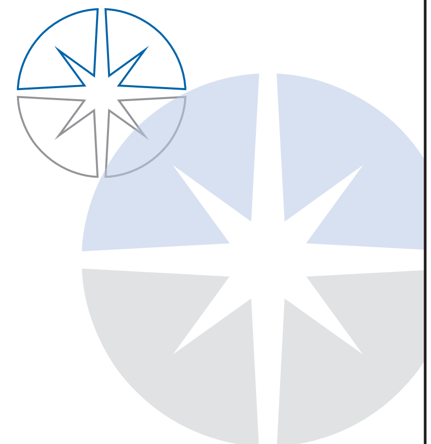
S&P 500 Energy Sector GICS Level 1 Index: Tracks the total return of the S&P 500 Energy Sector, a GICS level 1 sector group.

S&P 500 Total Return Index: A market capitalization-weighted index of 500 leading companies in the U.S. The index captures approximately 80% coverage of available market capitalization.

Distributable Cash Flow (DCF) is calculated as net income plus depreciation and other noncash items, less maintenance capital expenditure requirements. Distributable cash flow (DCF) data is CCM calculated consensus of Wall Street estimates. The estimated consensus weighted average distributable cash flow (DCF) per unit growth rate for the AMZ and our Model Portfolio incorporates market expectations by using the average annual growth rate using rolling-forward 24-month data. DCF growth rate is not a forecast of the portfolio's future performance. DCF growth rate for the portfolio's holdings does not guarantee a corresponding increase in the market value of the holding or the portfolio.

Distribution Coverage Ratio is calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

Distributions are quarterly payments, similar to dividends, made to Limited Partner (LP) and General Partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.



EBITDA is earnings before interest rates taxes depreciation and amortization.

Free Cash Flow to Equity (FCFE) represents the amount of cash a company can pay to equity shareholders after all expenses, reinvestments, and debt payments.

Growth CapEx or Growth Capital Expenditures refers to the aggregate of all capital expenditures undertaken to further growth prospects and/or expand operations and excludes any maintenance and regulatory capital expenditures.

Incentive Distributions Rights (IDRs) allow the holder (typically the general partner) to receive an increasing percentage of quarterly distributions after the MQD and target distribution thresholds have been achieved. In most partnerships, IDRs can reach a tier wherein the GP is receiving 50% of every incremental dollar paid to the LP unitholders. This is known as the 50/50 or "high splits" tier.

Leverage is net debt divided by EBITDA.

Terminal Value is the value of an asset, business or project in perpetuity beyond a set forecast period for which future cash flows are estimated.

Yield refers to the cash dividend or distribution divided by the share or unit price at a particular point in time.

This material is provided for informational and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell any security, product or service.

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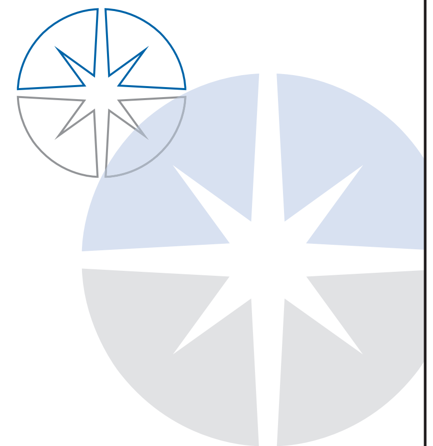

Chickasaw Capital Management

Chickasaw MLP SMA Composite | October 31, 2006 – March 31, 2021

3/31/21	ANNUALIZED RETURN (%)			CUMULATIVE RETURN (%)		
	Net-of-Fees Return	Alerian MLP Total Return*	S&P 500 Total Return*	Net-of-Fees Return	Alerian MLP Total Return*	S&P 500 Total Return*
Month-to-Date	6.45	6.91	4.38	6.45	6.91	4.38
Quarter-to-Date	18.97	21.95	6.17	18.97	21.95	6.17
Year-to-Date	18.97	21.95	6.17	18.97	21.95	6.17
1 Year	90.33	103.13	56.35	90.33	103.13	56.35
3 Year	-6.52	-2.98	16.78	-18.31	-8.69	59.25
5 Year	-2.70	-1.30	16.29	-12.78	-6.34	112.71
10 Year	2.60	-0.93	13.91	29.26	-8.91	267.88
Inception	4.58	3.94	9.89	90.77	74.46	289.41

Year	Net-of-Fees Return (%)	Alerian MLP Total Return* (%)	S&P 500 Total Return* (%)	Number of Portfolios	Annual Composite Dispersion (%)	Composite 3-Year Ex-Post Standard Deviation (%)	Alerian MLP 3-Year Ex-Post Standard Deviation (%)	S&P 500 3-Year Ex-Post Standard Deviation (%)	Total Composite Assets (USD mil)	Total Firm Assets (USD mil)	Bundled Fee Assets as a % of Total Composite Assets
2021 YTD	18.97	21.95	6.17	283	NA	NA	NA	NA	746	1986	27.12
2020	-31.14	-28.69	18.40	257	3.30	44.61	47.18	18.53	713	1881	22.54
2019	9.00	6.56	31.49	546	0.89	18.87	17.70	11.93	1812	3472	17.94
2018	-21.08	-12.42	-4.38	707	1.02	20.70	18.10	10.80	1968	3513	18.60
2017	-8.40	-6.52	21.83	817	0.72	21.93	19.06	9.92	2272	4915	20.55
2016	25.61	18.31	11.96	891	2.02	23.37	19.95	10.59	2490	5015	19.53
2015	-31.46	-32.59	1.38	421	1.57	20.39	18.50	10.47	1187	3108	9.14
2014	21.71	4.80	13.69	251	1.38	14.91	13.54	8.97	1292	3054	4.74
2013	46.64	27.58	32.39	166	3.23	13.04	13.43	11.94	988	1933	2.86
2012	15.87	4.80	16.00	118	2.17	13.17	13.37	15.09	563	949	NA
2011	22.30	13.88	2.11	98	2.05	18.82	17.19	18.71	406	690	NA
2010	43.59	35.85	15.06	76	4.45	NA	NA	NA	170	393	NA
2009	111.65	76.41	26.46	18	NA	NA	NA	NA	37	289	NA
2008	-59.75	-36.92	-37.00	3	NA	NA	NA	NA	0.7	224	NA
2007	4.83	12.72	5.49	1	NA	NA	NA	NA	0.5	346	NA
2006	5.84	6.03	3.33	1	NA	NA	NA	NA	0.4	334	NA

Firm and Composite Information: Chickasaw Capital Management, LLC ("CCM") is an independent investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. CCM manages a variety of equity, fixed income, and balanced assets for wealthy families and institutions with a focus on master limited partnerships ("MLPs"). The Chickasaw MLP SMA Composite (the "Composite") consists of fee-based, discretionary accounts that invest in MLPs and MLP affiliates that trade on U.S. stock exchanges. The Composite was created in August 2009 and prior results contain historical data. All historical performance was constructed in accordance with the composite construction policies set forth within the firm's policies and procedures. All underlying accounts were treated on a consistent basis with respect to composite inclusion. As of 5/31/2015, the minimum account size for inclusion into the Composite is $75,000. Accounts will not be removed from the Composite if they fall below the minimum due to market fluctuations or client withdrawals.

***Benchmark:** The benchmark is the return of the Alerian MLP Total Return Index ("Alerian") and the S&P 500 Total Return Index ("S&P 500"). The Alerian is a market-capitalization weighted index composed of the most prominent energy Master Limited Partnerships. The S&P 500 is a market-capitalization weighted, broad-based securities market index containing the 500 most widely held companies chosen with respect to market size, liquidity, and industry. As of 6/30/15, the Alerian was added as a primary benchmark to provide additional information and was applied retroactively. As of 12/31/2011, the benchmark changed to the S&P 500 Total Return Index from the S&P 500 Principal Only Index and was applied retroactively. The index information is included merely to show the general trend in the markets for the periods indicated and is not intended to imply that a client's investment portfolio will be similar to the index either in composition or risk. The volatility of the S&P 500 and the Alerian may be materially different from that of the strategy depicted, and the holdings in the strategy may differ significantly from the securities that comprise the S&P 500 and the Alerian. The S&P 500 and the Alerian are unmanaged and are not assessed a management fee and other expenses typically associated with a managed account or an investment fund. Investments cannot be made directly in a broad-based securities index.

Performance Calculations: Valuations and returns are computed and stated in U.S. Dollars. The performance shown is for the stated time period only; due to market volatility, each account's current performance may be different. Returns are calculated using a time-weighted rate of return ("TWR") calculation methodology. TWR is computed by calculating a simple rate of return between each period, and linking them. Results reflect the reinvestment of dividends and other earnings. As of 6/30/13, the Composite contains portfolios with "bundled" and "non-bundled" fees. "Bundled" fees include investment management fees as well as other sponsor platform fees that include but are not limited to transaction costs, custodial fees, advisory, and other administrative fees. Pure gross returns are presented as supplemental information to the net-of-fee returns due to certain portfolios not paying a transaction cost in a "bundled" fee structure. Pure gross performance is also presented gross of all investment management fees; gross of custodial fees in "non-bundled" portfolios; gross of all "bundled" fees charged by the platform sponsor; net of transaction costs on "non-bundled" portfolios; and net of withholding taxes. Net-of-fee returns are presented net of actual investment management fees; net of trading expenses; net of actual "bundled" fees; net of withholding taxes; and gross of custodial fees for "non-bundled" portfolios. The standard management fee for the MLP strategy is 1.50% per annum. Additional information regarding CCM's fees is included in its Part 2 of Form ADV. The Gross-of-fees return and Net-of-fees return for 2006 are the same since the return is measured from 10/31/2006 to 12/31/2006 and no fees were charged during that two month period. Dispersion is calculated using the asset-weighted standard deviation of all accounts included in the Composite for the entire year. Dispersion is not presented for periods less than one year or when there were five or fewer portfolios in the Composite for the entire year. Three-year ex-post standard deviation is not presented prior to 2011 as this was not required. The calculations for dispersion and three-year ex-post standard deviation use net returns. Differences in account size, timing of funding or transactions in securities and other market conditions may cause the performance of any account to differ from that of other accounts managed by CCM and/or that of the Composite. Differences in the methodology used to calculate performance might also lead to different performance results than those shown. Additional information regarding CCM's policies and procedures for valuing investments, calculating performance, and reporting performance results is available upon request.

GIPS Compliance Statement: Chickasaw Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. CCM has been independently verified for the periods 1/1/2006 – 12/31/2019. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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