Chickasaw Capital Management

APRIL 18, 2017

MLP UPDATE

FIRST QUARTER 2017

The seemingly little-known or unappreciated fact is that the long-awaited massive petrochemical demand in the U.S. for Natural Gas Liquids (NGLs) is now 'at hand', and substantial markets also exist for burgeoning U.S. oil and natural gas production. Midstream MLPs are about to become major beneficiaries with higher asset utilization and attractive investment opportunities. Midstream MLP valuation is unusually attractive.

We can easily demonstrate that MLPs are currently priced quite attractively based on absolute and relative historical multiples of Distributable Cash Flow (DCF) and Earnings Before Interest Taxes Depreciation and Amortization (EBITDA), as well as on other valuation tools. However, when adjusting for long-term growth prospects, most midstream MLPs have never appeared better, and our conviction as to their investment appeal has rarely been greater. We have this conviction because the massive wave of new sources of domestic energy demand, which we have been writing about in some cases for 8 years, is only in the beginning stages of ramping up. The need for increased infrastructure and utilization of existing infrastructure is real and visible. In a period where investors are debating as to whether the broader stock and bond markets are overpriced, and where market strategists are working hard to justify that stock prices might still have 5% or 6% upside from current levels this year, this conundrum is quite intriguing. Why indeed don't more investors appreciate the strong investment appeal of the midstream sector we see?

Part of the answer to this perception disconnect relates to the increasingly unimportant and near-term single-minded focus of both dedicated and non-dedicated investors to the daily swings in the current price of oil. We believe swings in its price are increasingly "noise", and are obscuring long term value. Reported oil storage inventory levels, a determinant of oil price movement, have been a regular, heavy weight on the

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Overall Morningstar Rating™

within Energy Limited Partnership category based on risk-adjusted performance ending 12/31/16

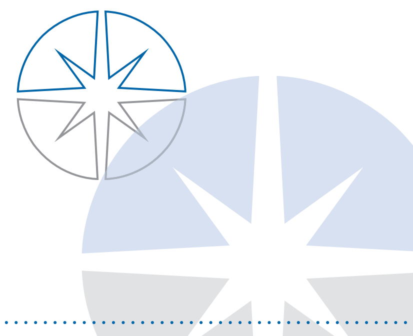
Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar rates separate accounts from one to five stars based on how well they have performed in comparison to similar funds. The Overall Morningstar Rating for a separate account is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating™ metrics. Within each Morningstar Category, the top 10% of separate accounts receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star.

MLP COMPOSITE

Annualized Return

Trailing as of 3/31/17	Net	Alerian MLP Total Return	S&P 500 Total Return
Month-to-Date	0.18%	-1.30%	0.12%
Quarter-to-Date	2.32%	3.95%	6.07%
1 Year	38.46%	28.32%	17.17%
3 Year	-0.73%	-5.17%	10.37%
5 Year	11.51%	2.64%	13.30%
10 Year	9.91%	7.15%	7.51%
Inception	11.23%	8.73%	7.60%

Please note *Additional Information* on final page.



oil price these past 2 ½ years. However, 1) the work down of these storage inventories has indeed begun and is likely to accelerate in the second half of 2017; 2) the current oil price in the low-to-mid $50 range and current natural gas and NGL prices are quite adequate for U.S. producers to keep increasing oil, natural gas and NGL production, given low U.S. production costs; and 3) OPEC, with the cooperation of non-OPEC producers such as Russia, has reversed strategy from protecting market share to enhancing revenues, and appears to currently be targeting a $60 oil price. This apparent change in strategy, stemming from the November decision by OPEC and certain non-OPEC countries to set quotas, the strong adherence to these quotas and the now increasingly likely renewal of quotas on May 25th, lead us to the conclusion that oil markets are moving to a very different place, one that should make the oil price a less relevant issue for midstream energy companies.

We believe, and it would follow from the above logic, that the MLP price correlation to the oil price will diminish as the price of oil rises, perhaps suddenly and substantially, and investors will again focus on fundamentals we believe are excellent and improving. As an indicator, the rig count in the U.S. has nearly doubled over the past year and continues its nearly-weekly ascent, bringing with it substantially rising oil production, plus associated gas and liquids. The Permian Basin, SCOOP/STACK and Marcellus are massive producing regions with cost structures far lower than most of the rest of the world. Other basins in the U.S. aren't far behind. The ability to produce substantially higher quantities of oil, natural gas and NGLs at costs well below $50 equivalent for oil and well-below what is possible for much of the rest of the world, sets the U.S. apart.

We have written for years in our Investor Letters about the coming wave of major petrochemical plants, and they are now here as the OxyChem/MexiChem joint venture and Dow have each announced operational completion of their crackers. The American Chemistry Council (ACC) tabulates $179 billion of new plant investment underway and plans for more major, multi-billion dollar projects have recently been announced by Exxon Mobil (XOM, $81.05) Lyondell Basell (LYB, $85.84) and Total (TOT, $50.37). Enterprise Products Partners L.P. (EPD, $27.97) estimates 340,000 bbl/d of ethane will be required by 5 ethylene crackers being completed in 2017 alone (3 "world scale"). Another 120,000 bbl/d will be required in 2018 (2 crackers, 1 of which is "world scale") and an additional 310,000 bbl/d of ethane will be needed for 4 "world scale" ethylene crackers scheduled for 2019 and beyond. Substantial additional volumes of ethane, propane and butane are in demand for other facilities and for export. All these liquids must be processed and moved to market by midstream energy companies.

The Energy Information Agency (EIA) calculates 36.6 gigawatts (GW) of gas-driven combined cycle electric generating capacity will be completed in 2017 and 2018 combined. This translates into an 8% increase in natural gas fired electric generation capacity. The building of this capacity will coincide with the completion of a number of natural gas pipelines, particularly from the Marcellus, currently under construction, and, yes, fully contracted. This is a trend for natural gas demand growth that appears highly likely to be sustained. Again, midstream energy companies are positioned to benefit, and earn strong returns.

Finally, as we discuss in more detail in the following section, we believe the emerging policies of the Trump administration will be a decided positive to the energy industry of the United States and for MLPs. Some have suggested a more activist and/or unpredictable foreign policy strategy and presumed greater risk of foreign involvement will itself help sustain an oil price at a higher level. There may be truth in this thought process; however, we believe the Trump Administration's more favorable policies toward energy, although in an early stage of development and lacking specifics, are far more important. Favorable regulatory policies, combined with the ability to produce large quantities of energy at low cost and already visible major demand increases, make certain energy and midstream energy companies, which connect producers to customers, very interesting opportunities.

The Trump administration, with its strongly-stated support and positive initial actions favoring responsible energy production and transportation, may be the final and important puzzle piece in the significantly improving energy and midstream story.

The Trump Administration is charting what appears to be a very supportive policy toward the energy industry. The

President early-on stated strongly that he believes in energy independence, less regulation and particularly a lot less of the redundant and unnecessary regulations that have been imposed by numerous Federal agencies upon the energy industry. Although few specifics of future policy changes have emerged, he did quickly facilitate approval of both the Dakota Access Pipeline (DAPL) and the Keystone XL Pipeline following the previous administration's attempts to make it more difficult and expensive to build oil and natural gas pipelines, among other energy facilities. We see his quick actions on these stalled projects as particularly positive signals. President Trump states an objective for the United States is to become energy independent. We do not believe this is an unreasonable or unattainable goal. It may not be possible for the U.S. to be self-sufficient in oil, but oil production increases will undoubtedly close the gap and exports of natural gas, LNG, NGLs and coal may in fact make the U.S. as large a producer of energy as we consume. We will always be dependent on foreign heavy crude, but the source of that crude is mostly from Canada as our Gulf Coast refineries are configured to utilize heavy (and cheaper) grades of crude produced there. Much of the crude being produced from the shales is a light crude or condensate, which is very much in demand in a world where the crude slate is getting heavier.

Some 140 regulations or executive actions, many said to be over-reaches or redundant with those from other agencies, were enacted under President Obama's administration, negatively impacting the energy industry. Many have been criticized as doing little to protect the consumer or the environment and for merely adding to the administrative burdens of companies. They have also increased costs and delayed vital infrastructure, very much including pipelines.

The Trump Administration is working on a new and presumably more favorable five-year offshore oil and gas leasing plan. There is also work progressing to reverse the last administration's declaration of additional Arctic waters as unavailable for drilling. Some 90% of U.S. territorial waters are currently restricted from drilling by oil and gas companies. Even a small addition to acreage that could be leased and drilled could be quite important. Similarly, the ability to drill on more federally-owned onshore acreage, and use modern drilling techniques, would be helpful.

President Trump initiated a review of the Clean Power Plan, which restricts greenhouse gas emissions at coal-fired power plants. Although it is too soon to reach any conclusions about potential changes, few believe the inexorable gains of natural gas in combined-cycle plants will end or even slow. Many coal-fired plants are quite old, and it is certainly possible that retirements could be deferred if there is no requirement to add new pollution control devices. However, electric utility executives have almost universally created plans for natural gas facilities to replace these coal plants and even some of the nuclear power plants that are coming up for relicensing and facing more resistance at the state level.

All-in-all, at this very early date in the new administration, we are optimistic that many burdensome and expensive-to-implement regulations will be reversed, facilitating oil and gas production and midstream projects.

Attractive valuation and low risk to MLP cash-flow, should matter to investors more than it has. We are convinced perceptions will change and perhaps sooner than most expect.

Most midstream MLPs continue to provide 1) lower-risk and mostly stable, contracted cash-flow, 2) strong or relatively strong, balance sheets, 3) attractive cost of capital to bolster spreads between cost of capital and return on capital in the increasing number of organic projects being pursued, 4) visibility to solid growth, as U.S. energy markets likely continue to rebound, and 5) valuations seldom seen in the past.

As of 3/31/17, Wells Fargo Securities calculates a price-to-distributable cash flow (P/DCF) ratio for 2018 (yes, a forward year) of 11.0x, which compares to the 13.5x five-year average and the 12.5x ten-year average for their universe. As active managers, we, of course, believe there are available securities, that have even more attractive valuations as future growth prospects continue to improve and are not reflected in any static valuation multiple.

Lastly, the balance sheet improvement is quite real and ready to finance future growth opportunities. Certain companies have raised substantial amounts of equity capital, eliminated incentive distribution rights through related entity mergers, sold non-core assets, and bought strategic assets to bolster their competitive positions for the recovery we believe is unfolding. We've even seen an opening of initial public offering (IPO) markets with one priced in early April, and, for all the talk of general partner (GP) elimination, a GP IPO has been filed for potentially later this year.

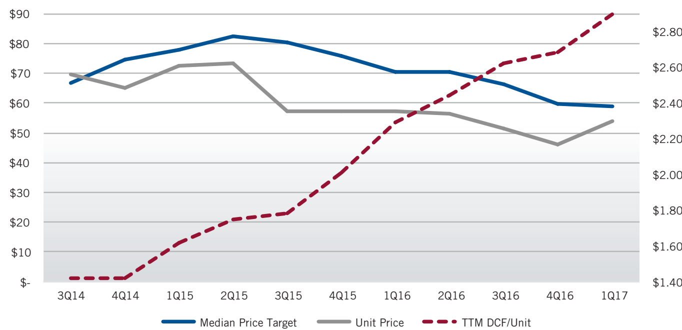
Investors appear to be negatively influenced by modest price and appreciation targets by Wall Street analysts; analysts appear to be attempting to be risk averse in recent challenging times. We have much greater total return expectations.

We have long been dumbfounded by the modest price targets of most Wall Street analysts. Even at the market bottom in February 2016, few analysts stuck their heads out of the proverbial foxhole to say how incredibly attractive MLPs were.

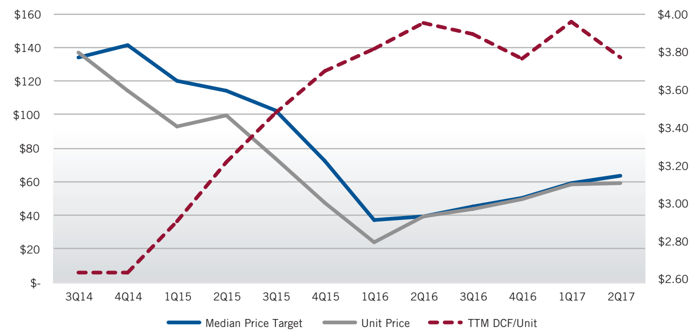
Our analyst team assembled a database to graphically display for midstream MLPs what we had long thought. Wall Street price targets (using Bloomberg consensus data) highly correlate with the then current price of the shares and not much at all with reported DCF per unit. When they do correlate to DCF/U they are simply trend following. Targets have remained modestly above the current or then price. Therefore, 'value' on Wall Street is always just a bit more than the price that happens to exist!

These charts show similar results over longer periods of time, but we have isolated them to begin in Q3 2014, which is when the price of oil began to plummet and correlations with security prices picked up. We'll let these charts speak for themselves, and the results are consistent beyond our examples.

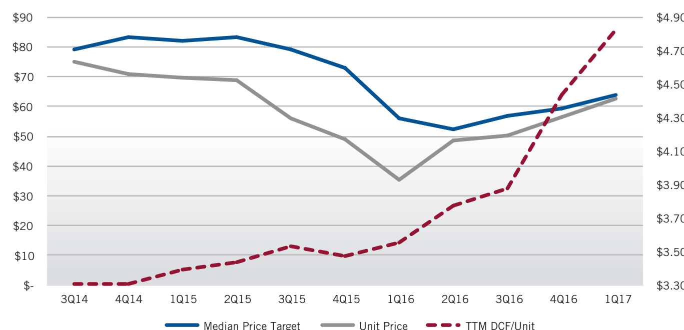
PSXP Price Target vs Actual Price vs DCF/U (TTM) 3Q14 – 1Q17



TRGP Price Target vs Actual Price vs DCF/U (TTM) 3Q14 – 2Q17



WES Price Target vs Actual Price vs DCF/U (TTM) 3Q14 – 1Q17



Various measures of value, including EBITDA and DCF per unit or share forecasts, over the long-term, have been good predictors of share price value. Whether price targets are out of line with reported results over the recent time period, or if they're due to follow improving DCF/U higher at certain companies, either way we believe the trend for the group is up based on the current fundamentals. If one is good at predicting growth of cash flow per unit, superior returns can be obtained.

The past two and one half years have been a most unusual period where fundamentals and long-term prospects appear to have mattered little. This too will end. We have never experienced such a long and deep downturn in the MLP securities' universe followed by such a slow recovery, but that has created the opportunity for investors.

OPEC and Non-OPEC production quotas, along with substantial quantities of oil in storage, are the overwhelming daily topics of interest as influences on the oil price and appeal of energy shares. We believe an oil price in the likely $50 plus range will soon cease to have significant impact on midstream energy shares, as stronger fundamentals emerge.

Supply and demand are incontrovertible drivers of commodity prices. OPEC miscalculated in over-supplying the world oil markets with crude oil, beginning in November 2014, in the mistaken belief this action would stop the emergence of U.S. oil shale producers. It has been an expensive lesson and OPEC has seemingly now chosen a path that is likely to maximize revenues rather than maintain market share. OPEC oil ministers speak of targeting $60 per barrel by limiting production, and openly talk about ceding a larger market share to U.S. shale producers in the belief producers in other parts of the world cannot sustain production at $60 per barrel. U.S. producers are recognized by OPEC ministers as able to increase production even at a sub-$50 per barrel oil price that they are unwilling to settle for, and increasingly the U.S. is being viewed as the global swing producer. OPEC countries expect to be able to gradually increase production while enjoying somewhat higher prices because world demand is expected to continue to grow at 1.2 to 1.4 mm bbls/year. The International Energy Agency (IEA) even talks about oil being in short supply again by 2022.

OPEC approved its current quotas in November of 2016 with a January 2017 effective date. According to the IEA, as of March 31st compliance has been quite high averaging 99% through the first quarter of 2017, standing in stark contrast to lower levels seen in previous quota agreements. Even Russia appears to be closing in on its agreed quota. The topic du jour has been whether these six-month quotas would be renewed at the May 25th OPEC meeting. Saudi Arabia is openly saying they want an extension of quotas and what the Big Dog wants, the Big Dog usually gets.

Iranian floating crude storage that accumulated during the sanction period has fallen from 50 million barrels to near zero, according to Lloyd's List, and press reports indicate they are having difficulty meeting market expectations with current production. Citibank is forecasting a 1.1 mm bbl/d oil stocks drawdown from inventory in the second half of 2017. There are many variables to all forecasts and many unpredictable factors, particularly as to future production by OPEC. However, we reach two firm conclusions: 1) OPEC appears strongly committed to a target price approximating $60 per barrel price range and will likely be relatively disciplined about production levels to achieve this price realization; and 2) the oil markets are already slowly working off inventories and moving toward balance and this trend appears likely to continue.

Our concluding thoughts are U.S. oil producers are positioned with their low-cost structures to continue to increase production at a significant pace. The EIA estimates U.S. production at 9.2 mm bbls/d at the end of March, a level that is 700,000 bbl/d higher than the August 2016 level. Production forecasts for U.S. oil producers vary greatly, but it is quite interesting that new oil pipelines are currently being planned not long after investors lamented about under-utilized capacity. The U.S. rig count at 847 is nearly twice the year-earlier level. Finally, we believe drilling for natural gas and NGLs will progress in line with demand increases and pipeline completions.

CHICKASAW
CAPITAL MANAGEMENT

Closing comments to our investors

MLPs have historically provided investors with limited volatility in both cash flow and share prices. Clearly these past 2 ½ years have been a major exception to the latter. There has never been such a protracted period of weak oil prices during the history of the midstream MLP sector. Technological advances in horizontal drilling, hydraulic fracturing and well completion techniques, combined with the relatively free market, abundant capital, and excellent source rock, have placed the U.S. in an excellent competitive position. Foreign chemical companies are rushing to our shores to join domestic companies in building petrochemical facilities and take advantage of our low-cost and available energy supplies. Midstream MLPs are the middlemen which move product to the customers, and increasingly are those creating global solutions through exportation. We believe the industry has many years of solid and profitable growth ahead, and we are confident many MLPs will be excellent performers in the years ahead. We appreciate your continued confidence in us and look forward to better years ahead.

David Fleischer, CFA Geoffrey Mavar Matt Mead Robert Walker

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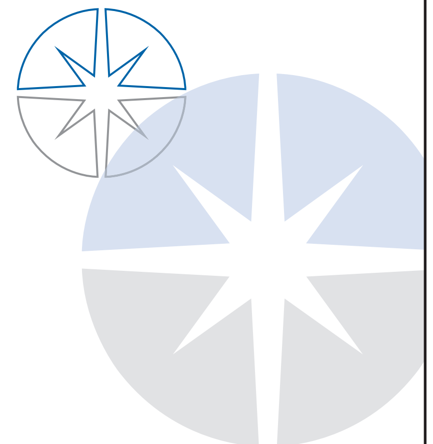

Chickasaw Capital Management

Chickasaw MLP SMA Composite | October 31, 2006 – March 31, 2017

3/31/17	Annualized Return (%) Net-of-Fees Return	Annualized Return (%) Alerian MLP Total Return*	Annualized Return (%) S&P 500 Total Return*	Cumulative Return (%) Net-of-Fees Return	Cumulative Return (%) Alerian MLP Total Return*	Cumulative Return (%) S&P 500 Total Return*
Month-to-Date	0.18	-1.30	0.12	0.18	-1.30	0.12
Quarter-to-Date	2.32	3.95	6.07	2.32	3.95	6.07
Year-to-Date	2.32	3.95	6.07	2.32	3.95	6.07
1 Year	38.46	28.32	17.17	38.46	28.32	17.17
3 Year	-0.73	-5.17	10.37	-2.19	-14.71	34.45
5 Year	11.51	2.64	13.30	72.41	13.92	86.71
10 Year	9.91	7.15	7.51	157.23	99.52	106.27
Inception	11.23	8.73	7.60	202.85	139.03	114.51

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
2017 YTD	2.32	3.95	6.07	994	NA	NA	NA	NA	2653	5361	23.27
2016	25.80	18.31	11.96	890	2.01	23.38	19.95	10.59	2489	5015	19.53
2015	-31.46	-32.59	1.38	421	1.56	20.39	18.50	10.47	1187	3108	9.14
2014	21.71	4.80	13.69	251	1.36	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. As of 2/28/17, bundled fee assets as a percentage of total Composite assets was revised for 2016 from 10.64 to 19.53. The standard management fee for the MLP strategy is 1.50% per annum. Additional information regarding CCM's fees is included in its Part II 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. 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 portfolios, 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. Chickasaw Capital Management, LLC has been independently verified for the periods 01/01/06 – 12/31/15. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list and description of composites is available upon request.

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