Chickasaw Capital Management

JULY 19, 2017

MLP UPDATE

SECOND QUARTER 2017

What's wrong with MLP's?...nothing (our opinion, at least). Fundamentals are strong and future prospects even better, weak oil prices notwithstanding.

At the risk of repeating ourselves, although investors in this weak energy market need to hear this again (and again), we believe Midstream energy companies are extremely well-positioned to gather, process, transport, fractionate, store and deliver potentially massive incremental quantities of ethane, propane, natural gas and, yes, oil to customers. Both low-cost supply and burgeoning demand for these volumes are highly visible and only becoming greater. Midstream profit margins remain strong. Enterprise Products Partners LP (EPD, $27.73) estimates that over one million barrels/day (mm bbl/d) of incremental ethane and propane is expected to be required by the U.S. chemical industry over the next several years for facilities currently being built, mostly along the Gulf Coast. Midstream services by a number of MLPs will likely be required to transport Energy Information Agency (EIA) estimates of over 12 billion cubic feet (Bcf)/d of incremental natural gas that will power the 60 planned combined-cycle electric generation facilities over the next decade, as well as satisfy export demand in the form of LNG. Midstream MLPs and energy companies are forecasted to invest hundreds of billions of dollars to build the required assets.

The incrementally produced oil from U.S. shale basins will fill existing pipelines, augmenting profitability, and facilitate the building of profitable new assets. All these assets should only be built if customers contract for this capacity on financially attractive terms and on long-term contracts. The probability of this happening and creating multi-year and perhaps decade-long profitable growth, appears high to us, given the low production costs in the U.S. for NGLs, natural gas and oil compared with the rest of the world. Even at $45 to $50 per barrel oil prices and current relatively low natural gas and NGL prices; production is reasonably profitable in the U.S. in contrast to many other parts of the world. This leads us to the conclusion that the U.S. is poised to play an increasing role in meeting global demand growth, as well as potentially gain significant market share at the expense of other areas of the world.

> "Just as in 1998 and 1999, we keep hearing the question 'what's wrong with MLPs' and the answer of 'nothing' is unsatisfactory to most investors, even when it is supported by the positive fundamental story and attractive historic valuation."

Overall Morningstar Rating™

within Energy Limited Partnership category based on risk-adjusted performance ending 3/31/17

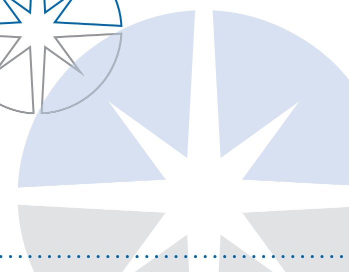
Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar rates separate accounts from one to five stars based on how well they have performed in comparison to similar funds. The Overall Morningstar Rating for a separate account 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 6/30/17	Net	Alerian MLP Total Return	S&P 500 Total Return
Month-to-Date	0.33%	-0.65%	0.62%
Quarter-to-Date	-7.75%	-6.35%	3.09%
1 Year	6.21%	0.40%	17.90%
3 Year	-9.30%	-11.23%	9.61%
5 Year	10.60%	1.77%	14.63%
10 Year	8.44%	5.74%	7.18%
Inception	10.11%	7.85%	7.73%

Please note *Additional Information* on final page.



The current short-sighted and extreme focus on excess oil in storage, the slow work down of this excess oil supply and the near-term price of oil, misses the major point of the likely long-term competitiveness of the U.S. oil, natural gas, and NGL producers and the likelihood of continued growth in use of these products in the U.S. as well as demand for exports. Customers have been and are voting with their wallets. The American Chemistry Council (ACC) says some 310 petrochemical facilities are currently being planned or built in the U.S., 60% by foreign-based companies, at a total cost of $185 billion. This figure continues to grow as the U.S. has become the preferred location in the world for chemical plants because of the proven multi-decade supply of low-cost ethane and propane, which currently cannot be matched elsewhere in the world. The rapid and likely sustained growth in the use of chemicals, principally as plastics, around the world, directly translates into major incremental demand for U.S. produced ethane and propane. This likely incremental demand joins with the unique low-cost U.S. supply of ethane and propane, locating a large proportion of the world's chemical plant investment in the United States.

Enterprise Products Partners estimates 340,000 bbl/d of incremental ethane alone will be required this year as feedstock for a handful of ethylene crackers being completed in 2017. It has also become abundantly clear that the U.S. E&P companies will be able to produce the substantial quantities of ethane, propane and natural gas required for these chemical plants, as well as the combined-cycle electric generation plants that are currently being built in increasing numbers to replace both coal and nuclear plants. There is a healthy debate as to how fast domestic oil production will grow and the volatility of these gains, if the U.S. becomes the marginal supplier of oil in the world. Notwithstanding the price of these various energy commodities, the level of Libyan and Nigerian production, and the speed of oil inventory draw down, the growing importance of the U.S. energy industry is now beyond question, as is the critical role of Midstream energy companies in delivering these products to market.

Our take on the oil markets is more upbeat than the daily headlines; weekly storage and production numbers do not define future year prospects, although daily oil price moves continue to impact investor sentiment and MLP prices.

Both the June 14th and July 13th International Energy Agency (IEA) reports sounded a negative tone on oil fundamentals and oil prices, particularly as a result of the strong gains in reported Libyan and Nigerian oil production, which impacted the supply/demand balance and pace of storage draw down as these OPEC members used their exemptions from the 2016 cut. Libyan production has risen by approximately 600,000 bbl/d and Nigerian production is up approximately 200,000 bbl/d since last fall when OPEC quotas were announced offsetting a large portion of the 1.2 mm bbl/d agreed OPEC production decreases. These IEA releases, together with volatility in the weekly U.S. inventory figures, have weighed heavily on the oil market and oil prices, which fell sharply. The disappointment in the market has been that inventories have not fallen more rapidly coupled with the fact that U.S. oil production has also been rising at a fast pace.

All this said, the IEA in its July report did indicate that global demand rose by a strong 1.5 mm bbls/d, or more than 1.5% in Q2, leading to an implied inventory draw of 700,000 bbls/d. This inventory decline may be less than previously expected, and yet appears to be at least a positive. It is important to note that the second half of the year typically has seasonally stronger global demand as it has averaged an incremental 1.4 mm bbls/d above the first half demand for the past 10 years. Low current oil prices could further boost demand even more than the usual increase during the summer driving season. Therefore, estimates of an inventory draw in the second half of 2017 exceeding 1 mm bbls/d and perhaps approaching 1.5 mm bbl/d do not appear unreasonable. The IEA estimates that current oil inventories are 292 mm bbls above the five-year average. It would appear that much of this excess will be worked off during the balance of 2017. However, the IEA cautions that supply and demand may be equal in 2018, halting the inventory draw down. There are many moving numbers in forecasting ahead to 2018; particularly in production estimates for Libya, the rest of OPEC countries and the United States.

Announcements by OPEC and Russia that they were not considering a further quota reduction were met with negative market reaction by this market that is seeking instant gratification. The Russian Oil Minister indicated he didn't see a reason for a greater production decrease, even as the Saudis have continued to say that they will do what is necessary to balance the market. Those statements sound a lot more reasonable to us than the daily banter on storage draw down. Such comments do not lead us to believe that OPEC and Russia plan to flood the market with oil, regardless of price. Both the Saudis and Russia, and most of OPEC for that matter, appear to now be focused on maximizing their revenues. Rising production levels from Libya, Iran or the U.S. might indeed keep the global oil markets from finding a balance of supply and demand in the oil markets by year-end 2017 or Q1 2018, as had been expected. It does not change our positive outlook on improving fundamentals for Midstream energy companies. Even with the current 'disappointing' oil numbers and rhetoric, it appears that the oil markets are moving toward a balance, if not in the previously expected time frame. To be clear, some of the forecasts for 2018 do not estimate an inventory draw down because of assumed arguably strong production forecasts from unstable countries that may not occur.

The missing thought-process in the daily noise of short-term data is that Midstream energy companies are typically major beneficiaries of greater volume even at lower prices, and are operating their systems at greater capacity, with the ability to add throughput in existing assets. However, the obsession, both qualitatively and quantitatively, with the correlation to the price of oil is obscuring healthy and improving fundamentals. We, in particular, seek companies to invest in with a minimum amount of direct and indirect commodity price risk. With all the focus on the world supply/demand balance for oil, much less attention has been given to the significant increase in oil, ethane, propane and natural gas movement taking place in the U.S., benefitting MLPs and midstream energy companies. The EIA is estimating average U.S. oil production in 2017 of approximately 9.3 mm bbls/d, a production level already exceeded. The EIA estimate for U.S. crude production in 2018 is 9.9 mm bbls/d, up 570,000 bbls/d from 2017. These crude, natural gas and natural gas liquids volumes should benefit many midstream companies as asset utilization rates rise on a largely fixed cost base, and then new assets are built when capacity limits are reached.

Somewhat defying gravity, stock prices in the broader equity markets and particularly technology shares continue to perform strongly. Seemingly only energy shares and MLPs languish.

Our place is not to disagree with and contest market strategists who continue to be cautiously optimistic about equities and find ways to justify their predictions of the next 5% or 10% increment to market averages. All this said, there clearly are risks to these forecasts. The S&P 500 trades at 21 times trailing earnings after appreciating 9.3% in the first half of 2017. The NASDAQ composite rose 14% over the first six months of 2017. According to calculations by UBS, gas utilities are trading at a 33% premium to their 15-year average EV/EBJTDA multiple, and electric utilities are trading at a 24% premium to their 15-year average EV/EBITDA. MLPs are utility-like in many ways due to their stable cash flows and semi-regulated nature, but they have more enviable growth profiles. Perhaps MLPs should be quite fairly called MLP "utilities" instead of thought about as part of the energy complex so that they can achieve a better valuation! We find it interesting that gas and electric utilities continue to be recommended on Wall Street simply because their yields are at or close to long-term spreads to 10-year Treasury yields. Again, much of valuation in the stock market heavily depends upon interest rates remaining low and no significant negative surprises appearing. The risk from exogenous factors always exists, although the risk is greater when valuations appear extended. Investors appear willing to accept these risks or are simply ignoring them.

The current market environment has significant similarities to the 1997 to 2002 period. There may be lessons to be learned.

An interesting and perhaps instructive comparison to the current period in the markets is that of the late 1990's, when the broad stock market averages were quite strong, and technology shares in particular, were exceedingly strong, as the NASDAQ regularly hit new highs. The same energy price volatility of the past three years did not exist then and MLPs hadn't significantly decreased from their peak to the trough. Rather, they declined 3% in 1998 and 7.8% in 1999 in a raging bull market which magnified the underperformance. During those years,

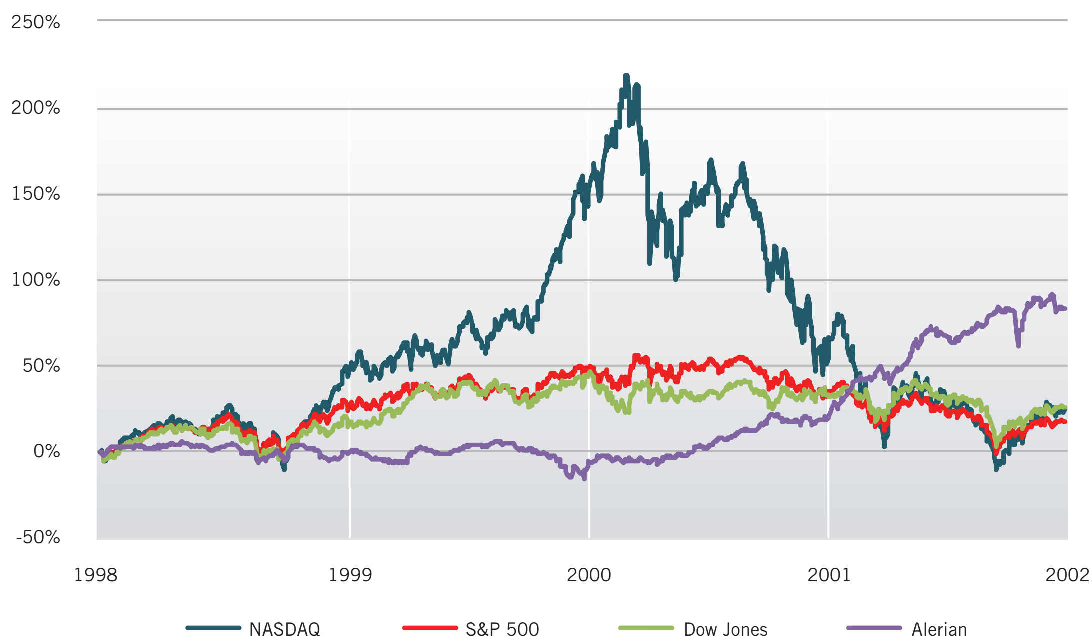
investors asked repeatedly what was wrong with MLPs and the answer was the same then as it is today, 'nothing'. Fundamentals remained strong and cash flow continued to grow. However, the group was simply out of favor and investors chose to ignore them, as much then as in the current period. Investors believed they could make more money in the hot technology stocks and other higher growth shares. Momentum and growth trumped value and MLPs.

How did this end? You likely know the part about technology shares and the meaningful correction in the stock market in 2000 and 2001, but do you recall the part about the Alerian MLP Total Return Index (AMZX) increasing 91% over the subsequent two years beginning April 1, 2000, and registering only one down year between 2000-2007? Valuation is as much an art as a science, and investor perception greatly influences how stock prices in general or a group will be valued in any period. We will conclude this thought process by showing a chart of share price performance for MLPs, the DJIA, the S&P 500 and NASDAQ 100 from 1998 to 2002, which hopefully makes an important historical comparison.

We feel that midstream energy companies may currently offer a compelling combination of lower risk and higher reward, something seemingly not available in the broader market.

Fundamentals and reasonable valuations of fundamentals drive share prices over the long-term, even as share prices can move in very different ways over the short-and intermediate-term. Perhaps this obvious and yet true statement is easy for investors to ignore, as they frequently do. Investors like to be invested in stocks that are going up, rather than ones that are falling or languishing, regardless of values and valuation. At least that is our long-term observation and opinion. What follows is that investors frequently choose to invest in sectors and shares which are performing strongly or have momentum, as all appears to be going well at such companies. The opposite also appears to be true. Investors show little interest currently in seeking value in Midstream energy companies and MLPs seemingly because of the arguably relatively correlated oil prices even though fundamentally there are many positives.

Total Indexed Return December 1997 – December 2001

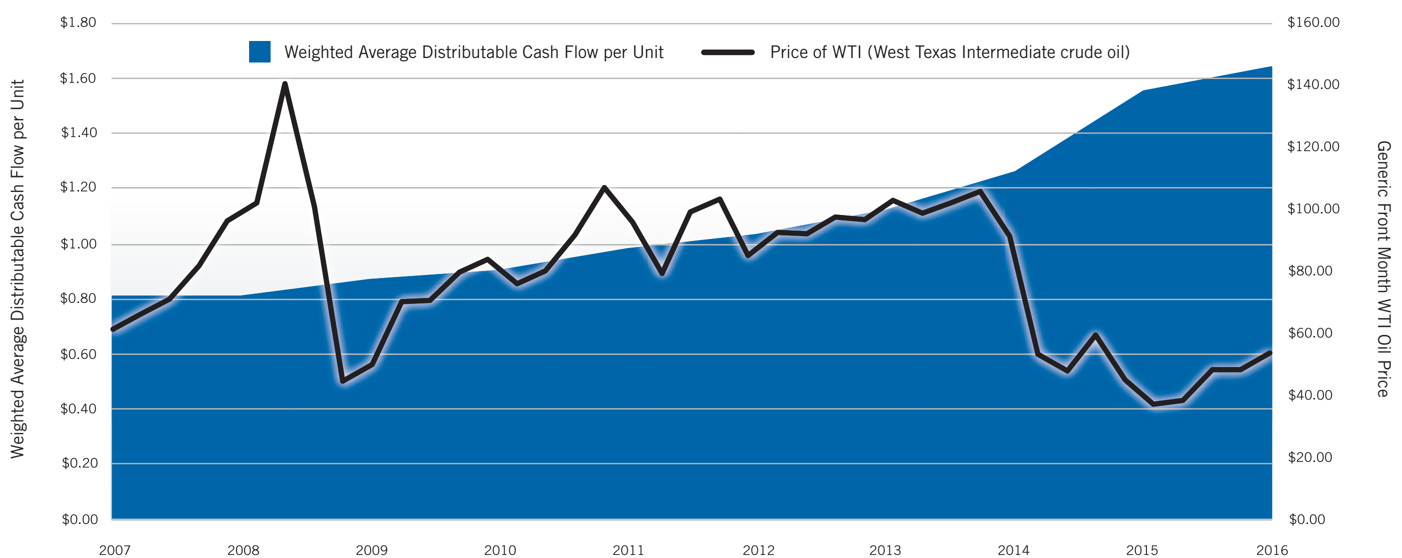


Just as in 1998 and 1999, we keep hearing the question 'what's wrong with MLPs' and the answer of 'nothing' is unsatisfactory to most investors, even when it is supported by the positive fundamental story and attractive historic valuation. Investors believe that something just has to be wrong, accounting for the poor performance. It is easy for the weak oil price label to stick as a real reason to justify share price weakness, even when the actual impact can be quite modest. To be fair, if oil prices did decline to the $35 to $40 range, and remain there, domestic drilling for oil would likely decline and some of the incremental volume we expect would probably not appear. However, we and many other energy observers do not believe that a sub-$40 oil price or even a sub-$45 oil price is a sustainable long-term price, given the worldwide competitiveness of the domestic industry and the need to produce oil for global demand growth. Also, ethane, propane and natural gas production would likely continue to rise to meet firm customer demand, benefitting Midstream assets, the majority of which are not crude-oil related. All this said, we can only emphasize our high level of confidence in our strong growth forecasts for a number of years into the future and point to an attractive valuation for investors who seek to own value and minimize risk. We have great confidence that Midstream energy companies will perform strongly and have the potential to outperform broader equity markets over the coming years.

We present a new graph that shows steadily rising free cash flow per unit/share and the lack of correlation to the oil price.

The graph below of steadily rising distributable cash flow per unit (DCF/U) for the Alerian MLP Index (AMZ) over the long-term goes a long way to contradicting the common belief that MLP cash flows are dependent upon the price of oil.

We cannot contest that the perception is otherwise, and that perceptions do drive security prices. What we do strongly conclude, and what we believe investors should conclude, is that the negative current perceptions have created an unusual opportunity to invest in Midstream energy companies and MLPs. What we cannot answer is when attitudes will change. A rally could be catalyzed by a significant decline in storage inventories over the second half of 2017, a reduction in Libyan and/or Nigerian oil production caused by renewed fighting or pipeline sabotage, a rise in the oil price into the mid-$50's, a decline in the broad equity markets, no obvious reason, or



something unforeseen. We are convinced that the favorable fundamentals that we believe exist and we envision continuing, will in time, sooner or not too much later, result in strong MLP equity performance. We also advocate having that MLP exposure actively managed in a portfolio with 20-25 midstream securities, believing this approach will continue to be a better choice for investors over the long term versus single security or indexed investing.

We thank you, our investors for your patience and trust in us.

We believe that after a very long wait, the significant value in MLPs will result in significant outperformance in a not so distant future period. As explained in this quarter's letter, risks appear to be weighted to the positive side, despite considerable uncertainties in the oil market, and we are increasingly optimistic given the valuation difference between midstream energy companies and most of the rest of the equity markets. That said, we appreciate the patience of you, our investors, and continue to emphasize one point of great importance: distributable cash flow per unit continues to rise at an attractive rate, and the stability and predictability of this cash flow, a most important measure of risk, remains high. Balance sheets are strong and/or improving, and we believe these factors should lend comfort to investors in this sector. We thank you for your trust and emphasize that our team works hard every day to identify securities for a portfolio with the lowest risk to the overall cash flows, while seeking to generate above average returns through active management.

David Fleischer, CFA   Geoffrey Mavar   Matt Mead   Robert Walker

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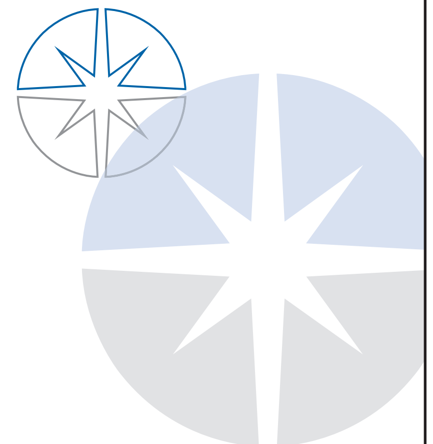

CHICKASAW CAPITAL MANAGEMENT

Chickasaw MLP SMA Composite | October 31, 2006 – June 30, 2017

6/30/17	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	0.33	-0.65	0.62	0.33	-0.65	0.62
Quarter-to-Date	-7.75	-6.35	3.09	-7.75	-6.35	3.09
Year-to-Date	-5.61	-2.66	9.34	-5.61	-2.66	9.34
1 Year	6.21	0.40	17.90	6.21	0.40	17.90
3 Year	-9.30	-11.23	9.61	-25.39	-30.05	31.70
5 Year	10.60	1.77	14.63	65.46	9.17	97.92
10 Year	8.44	5.74	7.18	124.81	74.76	100.08
Inception	10.11	7.85	7.73	179.37	123.84	121.13

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	-5.61	-2.66	9.34	1008	NA	NA	NA	NA	2535	4984	22.87
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.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.