Chickasaw Capital Management

JANUARY 20, 2014

MLP UPDATE

FOURTH QUARTER 2013

Risks to the World's Financial Structure Appear to be Diminished, at Least for Now. Investors Are Increasingly Seeking Growth and Yield Opportunities at Reasonable Valuations. We Believe That (Many) MLPs Stand Tall on These Measures.

The long list of macro concerns which could cause a double-dip recession or another financial crisis appears to have diminished. The economies and financial condition of European countries have stopped getting worse and several major countries appear to be crawling out of recession. Default risk appears to be diminished with the strong European Central Bank (ECB) verbal support that has buoyed confidence in Europe over the past 18 months. The BRIC countries, which were the growth engines of the world for some years, are losing this status as Russia, the world's eighth largest economy, and heavily dependent on oil and gas revenues, is stagnating and Brazil and India are plagued with higher inflation and modest growth. Only China continues to report strong, but diminished growth at 7.5%. However, with rising internal debt, excess industrial capacity and diminished export potential, some are questioning future growth prospects even for China. Growth expectations are now falling on the developing countries and the United States.

Prospects for sustained growth in the United States appear to be improving. Although headlines continue to focus on job creation, the still high unemployment rate and lack of wage growth, the facts are that the U.S. economy has enjoyed four years of growth at between a 1.8% and 2.8% rate. Most forecasts for 2014 are in the 2.5% range, although the new Federal Reserve Chairman Yellen sees 3% growth as possible. Housing, automotive, and the broad manufacturing segment, especially the chemical and energy industries within it, all appear likely to contribute to future growth. It does appear increasingly possible that growth will accelerate in future years. One of the measures that we and others rely on as a leading indicator of economic growth is the net worth of U.S. households and non-profit organizations. The value of housing, stocks and other assets rose $1.9 trillion or

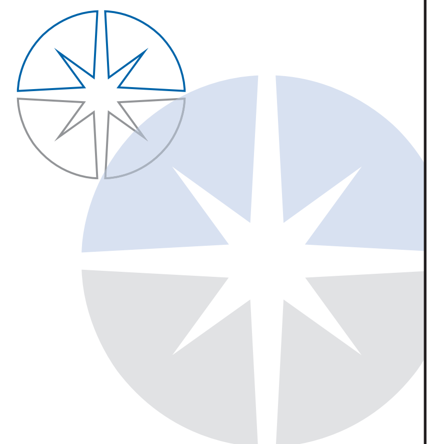
> "When asked by investors how we've been able to generate strong performance in our portfolios over recent years, we usually begin our answer by talking about our process to avoid investing in companies which we believe accept excessive risk for the opportunities they are pursuing."

MLP COMPOSITE

Annualized Return

Trailing as of 12/31/13	Net	S&P 500 Total Return
1 Year	46.35%	32.39%
3 Year	27.53%	16.18%
5 Year	44.52%	17.94%
Inception	15.54%	6.47%

Please note *Additional Information* on final page.



2.6% in Q3 to $77.3 trillion, according to Federal Reserve statistics. This is a new record. The value of residential real estate rose by $428 billion and homeowners in every region of the country saw the equity in their homes rise. The value of stocks rose by $917 billion. The so-called 'wealth effect' of such increases typically has led to greater consumer spending, although with a lag. As investors become increasingly wary of bonds on the fear of a period of at least modestly rising interest rates, certain MLPs with visible growth, high relative yields to other investment instruments available in the markets, and reasonable valuation appear likely to us to be favored by investors.

MLPs Turned in a Strong Performance in 2013. We Believe that More Appreciation is Ahead.

Master Limited Partnerships (MLPs) performed strongly in 2013, generating a 27.6% total return according to the Alerian MLP Total Return Index (AMZX), though this return fell modestly short of the 32.4% return of the S & P 500. This is the second year in a row where MLP returns were below that generated by the S & P 500. However, the relative returns of the AMZX far outpaced those generated by Utilities, REITS, high yield bonds, corporate and government bonds, pointing to the importance of their growth attributes and ability to generate superior total returns in addition to their yields. According to Wells Fargo, there was a wide dispersion of total returns, with General Partner MLPs generating the highest total returns at 75.8% and Upstream MLPs providing the lowest total returns at 6.0%. Additionally 23 out of 111 MLPs tracked by Wells Fargo generated negative price performance. We see such continued dispersion in performance between sub-sectors of MLPs and individual names as an opportunity for thoughtful and analytical investors.

Questions are frequently asked of us about the possible impact of rising interest rates on MLPs in 2014 and beyond. We believe that the most likely scenario most strategists are forecasting of a modest and gradual rise in rates is not a negative at all for MLPs because of the investment opportunities MLPs enjoy which should support future distribution growth. This is supported by the close to market performance in 2013, the lack of correlation to other income securities and the historical data which we addressed in several previous letters, where MLPs performed satisfactorily or better in periods of rising interest rates. Strong growth prospects are an offset to rising interest rates.

Rising production of oil, natural gas and natural gas liquids (NGLs) and the wide range of services required to gather, process, transport, fractionate and store these products are the themes that create the growth opportunities for MLPs. Although many MLPs sell at valuation multiples at or above their historic average, many, but by no means all MLPs, remain attractive as we analyze them because of their strong market positions and good visibility to excellent multi-year growth.

Several Major Themes Have Defined the Opportunities in Recent Years. It's Getting a Bit More Complicated Now.

Themes such as simply participating in the most prolific basins and shale plays typically have generated superior performance in recent years for gathering and processing companies. Companies who were among the first to build gathering systems and provide good service found success even with dedication-based contracts because so many drilled wells were awaiting hook-up. Other companies which transported and fractionated liquids similarly benefited but with lower risk because of more advantageous contract terms. With so many companies chasing these opportunities and some paying extraordinary prices for an asset to establish their presence in a shale play, success is not nearly as straightforward as it used to be not that long ago. We find that a combination of the right investment opportunities and extremely disciplined financial management are required for companies to generate superior financial results.

However companies which pay too dearly for even well-positioned assets or have too much capital invested ahead of earning a return on that capital, place themselves in a financial hole from which it may be difficult to escape. We are disappointed to see some companies shift from being risk averse in their capital investments to not wanting to miss opportunities. A bit of Goldilocks investing is required...investing enough capital to satisfy your customers, but not so much that assets are built too far ahead of the supply so that utilization rates and profits are low for a period of time. Our concern is also that a short-term dip in drilling or shift in drilling to a different region might leave a plant or system less than fully utilized for a protracted peri-

od of time. We have reduced in size or outright exited positions that we feel have increased their exposure to overbuilding. There seems to be little question that shale plays which are rich in oil and natural gas liquids (NGLs), including ethane and propane, will produce supplies well in excess of domestic demand for a number of years into the future. Already significant and rising quantities of propane and butane are being exported and ethane is being 'rejected' back into the natural gas stream to balance inventories. As a result, the domestic chemical industry has announced and is currently building a number of multi-billion dollar crackers to produce ethylene from the low-cost ethane coming from the Marcellus and Eagle Ford shales, among others. Some 135 new chemical production projects, valued at over $90 billion have been announced, according to the American Chemistry Council, which will utilize ethane, propane or natural gas as their feedstock to make a variety of chemical products. These facilities will require a massive investment in logistics assets from the producing wells all the way to the mostly Gulf Coast chemical plants to meet their raw material requirements. Transportation, fractionation and storage are in heavy demand in addition to the gathering and processing functions close to the wellhead, and long-term contracts are being signed or negotiated currently for many of these services.

We are convinced that the U.S. shale plays are only demand constrained and can produce nearly whatever quantities of NGLs and natural gas are required by customers. Because the value of the NGLs alone justifies production of the natural gas stream which contains them, we believe that natural gas may be in significant excess supply in future years. Natural gas consumption is growing in the U.S., but at a much slower pace than the ability to produce it and this will likely be exacerbated without the ability to export substantial liquefied natural gas (LNG). The timing of building these export facilities and the number that are eventually approved by the government, are critical to the level of future natural gas prices. We have been quite mixed at best in our interest toward companies with LNG export ambitions and yet see the probability of some 10 BCF/d of export facilities being approved and the early projects moving forward.

Oil-by-train investments, with both loading and unloading opportunities, along with final mile movement to customers, are seen by many as short-term solutions to moving crude oil until pipelines are 'inevitably' built as the permanent transportation solution. However, this may not be the end result despite higher cost of rail movement (although the potential exists for these costs to fall) than by pipeline and greater safety problems, highlighted by several recent train derailments and fires. In particular, Bakken production of 1 million barrels per day (bbls/d) is being transported partly by existing and expanding pipeline capacity and other pipelines are in the planning stage. However, producers appear to be in no hurry to contract for pipeline capacity which commits them through long-term contracts to a certain destination. It is also quite difficult to site and build pipelines from North Dakota to the east and west coast locations where much of this light, sweet crude appears destined to go and be refined. As a result, we believe that many rail loading and unloading facilities appear likely to be much more than transitional assets and instead may have quite long useful lives. Certain of the best located facilities with first-mover advantage appear likely to us to earn strong returns from these assets. Their ability to provide a variety of services and destination flexibility to producers and consumers alike appear to make many of these assets strategic and strong long-term earning assets.

Clearly, the large number of fully contracted oil and product pipelines that are being built from the various basins appear to be classic and appropriate investments for midstream MLPs. We are hopeful that the temptation will not be too great for companies that cannot fully contract such projects to move ahead anyway on the belief that 'if they build it, the customers will come.' Gulf of Mexico oil and natural gas production appears likely to rebound over the next five years and beyond as the deep water rig count continues to increase post the Macondo incident and new discoveries continue to be announced. Several MLPs with underutilized pipeline capacity in the Gulf should benefit as these fixed-cost assets see utilization rates rise. Another theme that is benefitting several companies is the export of propane, butane and eventually ethane. A finite number of companies have the combination of access to these liquids, adequate storage and appropriate deep-water dock facilities. Another 'smaller' theme that may not be so small at all is the potential building of splitters to deal with the increasingly large amount of condensate (very light crude-like product) being produced and then exporting the finished product.

Finally, we will mention the new trend of consolidation which is difficult to analyze. Copano was bought by Kinder

Morgan Energy Partners, LP (KMP, $81.31) early last year as Kinder sought the strong liquids capability of the company and its Eagle Ford assets. Crosstex Energy, Inc. (XTXI, $35.38) and Crosstex Energy Partners, LP (XTEX, $27.48) announced a very positive combination late in the year with Devon Energy Corp (DVN, $59.01) in what was both a combination of assets and management teams. It also eliminated a planned IPO of Devon's midstream assets allowing them to accelerate the valuation of their midstream assets. Perhaps the theme here is that other companies are recognizing the value of well-positioned midstream companies and owning such companies can be rewarding in various ways.

Risks Are Part of Every Opportunity and There Are More Risks for Investors to Analyze.

The previous section addressed many of the developing themes and sub-themes where we see significant investment opportunities. At the same time, opportunities come with a variety of risks, depending on how they are pursued, and in this section we will attempt to focus more specifically on some of these risks. When asked by investors how we've been able to generate strong performance in our portfolios over recent years, we usually begin our answer by talking about our process to avoid investing in companies which we believe accept excessive risk for the opportunities they are pursuing. A portion of our risk management process is top-down, as we seek to avoid companies with significant commodity price risk, or with low spreads between their cost of capital and return on capital, or with excessive debt-to-EBITDA ratios. However, the more difficult and yet critical risk analysis is done on a company by company basis and requires in depth work because the underlying risks at each company – whether with contract terms, balance sheet management or operational risks – are different at each company. It is also interesting to see how investors value/price risk each day in the pricing of the many MLPs which trade in the market. A generalization of ours, that does not always hold, is that higher-yielding MLPs frequently have more incremental risk than the incremental yield over other MLPs. The conclusion may be that total return investors should perhaps not be chasing the higher yielding MLPs.

Perhaps the most obvious risk that frequently gets ignored by investors is balance sheet risk. Following the financial crisis of 2008-09, virtually all MLP management teams focused on improving their debt ratios and terming out their debt, even at costs well above short-term rates. We now see some companies making greater use of short-term debt and adding greater debt to their capitalization mix. We continue to have a strong discipline and rarely invest in companies with greater than four times debt-to-EBITDA ratios.

Another obvious risk that is frequently ignored by investors is the added risk that higher yielding securities typically bring. This is also the case in the ever-growing IPO market. Last year there were some 20 initial public offerings (IPOs) in the MLP space, with a broad range of qualifying assets in these offerings. Of these new issues, we found only a select few quite interesting companies with attractive assets, strong general partners, low debt and a reasonable valuation in which to invest during 2013. However, many other companies coming to market have, in our judgment, less attractive assets, many with volatile cash flow streams and other risks. We expect this mix of IPO opportunities to continue.

Successful Investing Requires a Great Many Disciplines and We Attempt to be Disciplined Investors.

Our investment process focuses on the general themes, sub-themes and risks we outlined in the previous sections. Opportunities continue to evolve and categories of risk that need evaluation do appear to be increasing. We evaluate a potential investment for every possible risk we've previously mentioned and others unique to that company. For us, risk trumps opportunity and we will usually pass on an investment when financial, operating or other risks appear to be too great. We remind ourselves that it is much easier to lose 20% if a company modestly stumbles than it is to make 25% in another name to offset the loss and get back to even on the allocated capital. We also must have confidence in company management, as to what they might do and won't do in making acquisitions or additional investments. It is easy for a company to pay dearly for a so-called strategic investment that might never yield an attractive return. We remind ourselves that every acquisition goes to the one highest bidder, willing to pay more than anyone else, and that value creation opportunities need to be obvious, near-term and unique to the buyer.

Although it is easier said than done, we seek companies

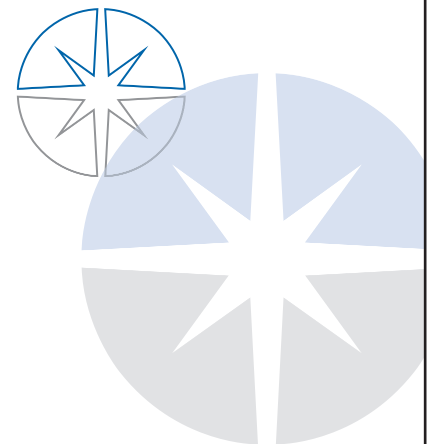
INVESTMENT TEAM

David N. Fleischer, CFA Principal
Geoffrey P. Mavar Principal
Matthew G. Mead Principal
Robert M.T. Walker Principal

with the best market positions in the best geographic regions, with the most creditworthy customers and with the highest tariff-based contract proportion of their business. We look at all the traditional valuation methodologies, but do not find one of the most popular ones — current yield — to be a good measure of value. Because so many investors are chasing yield, we find that in many instances high yielding securities continue to be overvalued and growth undervalued. Needless to say, our portfolio can have a lower than average yield and higher component of growth. We don't seek to have a portfolio with lower yield. Rather that outcome may be simply the result of our effort to seek the maximum total return for the least risk. We do rely on DCF (distributable cash flow) yield, which is quite different from the current yield because of varying payout ratios of companies. Finally, we disaggregate all of the businesses within each MLP in our portfolio by subgroup and then assess our weighted average cash flow across the portfolio. We believe that analysis of these subgroups of our portfolio compared to the same subgroup aggregation of the AMZX demonstrates on close observation that our portfolio has a similar or lower risk than this widely followed index. At the same time, our portfolio has a much higher expected growth rate, even when using consensus numbers. We, of course, rely on our own estimates and therefore are optimistic about potential performance prospects for 2014.

We thank our investors, who have helped us to grow and wish all a Healthy and Prosperous 2014.

David Fleischer, CFA   Geoffrey Mavar   Matt Mead   Robert Walker



MLP Composite

October 31, 2006 through December 31, 2013

Annualized Return

Trailing as of 12/31/13	Net-of-Fees Return (%)	S&P 500 Total Return* (%)
1 Year	46.35	32.39
3 Year	27.53	16.18
5 Year	44.52	17.94
Inception	15.54	6.47

Cumulative Return

Trailing as of 12/31/13	Net-of-Fees Return (%)	S&P 500 Total Return* (%)
1 Year	46.35	32.39
3 Year	107.42	56.82
5 Year	530.36	128.19
Inception	181.53	56.72

Year	Net-of-Fees Return (%)	S&P 500 Total Return* (%)	Number of Portfolios	Annual Composite Dispersion (%)	3-Year Composite Dispersion (%)	3-Year S&P 500 Dispersion (%)	Total Composite Assets (USD mil)	Total Firm Assets (USD mil)
2013	46.35	32.39	171	3.23	13.03	11.94	1001	1933
2012	15.89	16.00	118	2.17	13.17	15.09	563	949
2011	22.30	2.11	98	2.05	18.82	18.71	406	690
2010	43.59	15.06	76	4.45	NA	NA	170	393
2009	111.65	26.46	18	NA	NA	NA	37	289
2008	-59.75	-37.00	3	NA	NA	NA	0.7	224
2007	4.83	5.49	1	NA	NA	NA	0.5	346
2006	5.84	3.33	1	NA	NA	NA	0.4	334

ADDITIONAL INFORMATION

This document is strictly confidential and only for the person to whom it has been distributed and may not be reproduced or redistributed in whole or in part, nor may its contents be disclosed to any person under any circumstances other than the recipient's financial and legal advisors. 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.

Firm and Composite Information: Chickasaw Capital Management, LLC ("CCM") is an independent investment advisor registered with the Securities and Exchange Commission under the Investment Advisors 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 MLP Composite consists of fee-based, discretionary accounts that invest in MLP and MLP affiliates that trade on U.S. stock exchanges. The MLP 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.

*__Benchmark:__ The benchmark is the return of the S&P 500 Total Return Index, which 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 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 Index 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 Index. The S&P 500 Index is unmanaged and is 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. Gross-of-fees returns are presented before management and custodial fees, but after all trading expenses and withholding taxes. Net-of-fees returns are presented before custodial fees but after actual management fees, all trading expenses, and withholding taxes. 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. Differences in account size, timing of transactions and market conditions, prevailing at the time of investment, may lead to different results among accounts. Large composite cash flows are defined as 10%. Since January 2010, composite performance reflects large composite cash flows and a break period is included for dates with large composite cash flows. Differences in the methodology used to calculate performance might also lead to different performance results than those shown. Additional information regarding the firm'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 has been independently verified for the periods 12/31/05 – 12/31/12. 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.

6075 POPLAR AVENUE, SUITE 720 • MEMPHIS, TN 38119 • p 901.537.1866/800.743.5410 f 901.537.1890 • www.chickasawcap.com