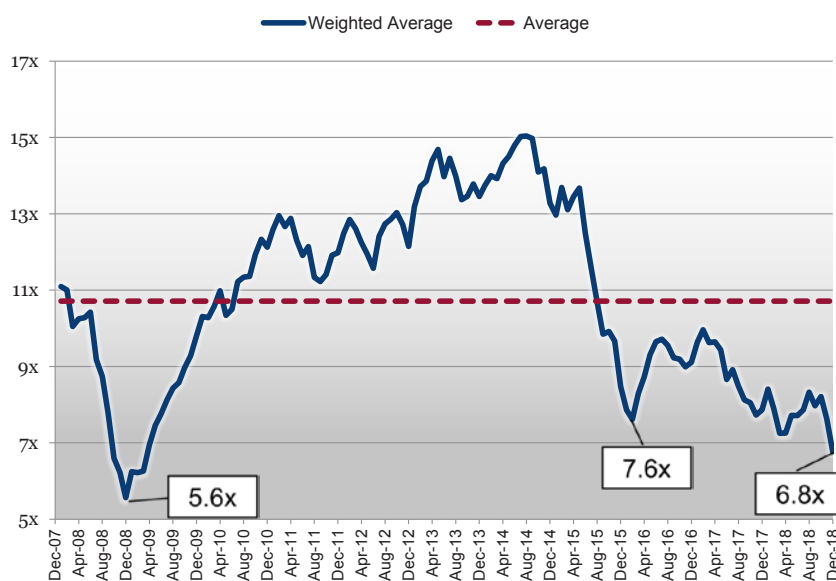


Master Limited Partnerships: Hiding in Plain Sight

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MLPs continue to trade at one of the most compelling valuation levels of the past decade. On 12/31/18, the Alerian MLP Index (AMZ) closed at 6.8x P/DCF. The average valuation of the past 11 years was 10.7x, while the cheapest valuation was seen during the global financial crisis when the index touched 5.6x.

Exhibit 1: AMZ Weighted Price to Distributable Cash Flow (P/DCF)



Average = 10.7x | Current = 6.8x | Minimum = 5.6x

Exhibit 2: AMZ P/DCF Range, January 2008 – December 2018

Level	P/DCF	Date
Low	5.6x	December 2008
Median	10.7x	January 2008 – December 2018
High	15.0x	August 2014

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We were recently asked about the expected returns if MLPs were to trade to the prior low and average valuation levels. We constructed a scenario analysis to calculate the expected returns for the MLP market with the conditions present on 12/31/18 as represented by the AMZ statistics.

Exhibit 3: Expected MLP Market Returns Per AMZ Statistics on December 31, 2018

Assumptions	
Yield	9.3%
DCF Growth	8.5%
Distribution Growth	0%

2019 Starting Values	
Value	\$100
DCF/unit	\$14.71
P/DCF	6.8x
Distribution (annual)	\$9.30
Yield	9.3%
DCF Growth	5.4%

Scenario 1: Valuation moves down to 5.6x P/DCF			
Metric	2019	2020	2021
Value	\$82.35	\$89.38	\$96.98
Distribution	\$9.30	\$9.30	\$9.30
Cumulative Distributions	\$9.30	\$18.60	\$27.90
Value + Cumulative Distributions	\$91.65	\$107.98	\$124.88
DCF/unit	\$14.71	\$15.96	\$17.32
P/DCF	5.6x	5.6x	5.6x
Yield	11.3%	10.4%	9.6%
Net Gain/Loss \$			\$24.88
Net Gain/Loss %			24.9%

Scenario 2: Valuation moves up to 10.7x P/DCF			
Metric	2019	2020	2021
Value	\$157.35	\$170.78	\$185.29
Distribution	\$9.30	\$9.30	\$9.30
Cumulative Distributions	\$9.30	\$18.60	\$27.90
Value + Cumulative Distributions	\$166.65	\$189.38	\$213.19
DCF/unit	\$14.71	\$15.96	\$17.32
P/DCF	10.7x	10.7x	10.7x
Yield	5.9%	5.4%	5.0%
Net Gain/Loss \$			\$113.19
Net Gain/Loss %			113.2%

We assumed \$100 invested through 2021, P/DCF of 6.8x, yield of 9.3%, DCF/unit growth rate of 8.5%, and no distribution growth under two scenarios: (1) P/DCF valuation declines immediately to the 11-year low of 5.6x and (2) P/DCF valuation increases immediately to the 11-year median of 10.7x.

The scenario returns are quite compelling and demonstrate the asymmetrical return characteristics of the asset class. Even if the AMZ trades to the lowest valuation of the past decade (5.6x), there is still the opportunity for a positive return.

Exhibit 4: Total Return of Hypothetical \$100 Investment in AMZ, 2019 – 2021

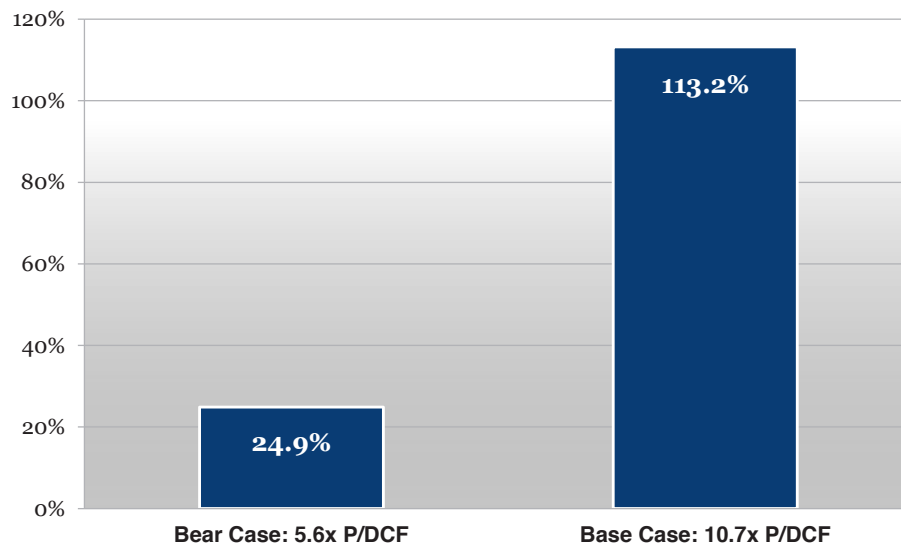


Exhibit Sources and Notes:

(1-2) Prices and distribution estimates sourced from Bloomberg LP; Distributable Cash Flow (DCF) data is CCM calculated consensus of Wall Street estimates, as of 12/31/18. Long term MLP valuation trends are analyzed using Distributable Cash Flow (DCF). Prices are measured using the forward DCF estimate at that point in time. DCF data used reflects forward sentiment and avoids backward-looking ratios using prior year-end data. Price to DCF (P/DCF) is measured at the median. P/DCF is price divided by Distributable Cash Flow. DCF is Distributable Cash Flow, which is generally defined as earnings before interest, taxes, depreciation and amortization (EBITDA), minus maintenance capital expenditures and interest expense. Utilizing DCF data eliminates potential distribution policy variance across MLPs, as well as potential complications from possible Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) consolidation across the MLP and its GP.

(3-4) Assumed DCF Growth and Yield figures represent the weighted-average of the consensus of sell-side analysts' estimates, as of 12/31/18. All figures are based on the hypothetical investment of \$100 into the Alerian MLP Index. Assumptions made are not intended as a representation or prediction of future performance. Actual results may vary.

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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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Correlation measures the extent of linear association of two variables.

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