MAINGATE
MLP FUND



JULY 13, 2012

MLP UPDATE

SECOND QUARTER 2012

Greater Economic Risk and Uncertainty is the New Hallmark of Our More Interconnected and Interdependent World...Despite Recent Energy Price Weakness, We Believe MLPs Remain a More Reliable Place to Invest Than Most Other Sectors

The economies of the world are almost universally slowing, with a number of European countries back in recession. Sovereign debt issues remain, as the capital infusions and bailouts in Europe continue, without any sign of resolution of the fundamental problems. The risk of an outside shock from the Middle East remains. Economic growth in the U.S. is positive, but modest and many uncertainties exist. All this said, we believe that Master Limited Partnerships (MLPs) as a group are positioned to sustain themselves and have the potential to continue to grow in what might be an increasingly slow growth world. We continue to feel there is excellent long-term appeal in MLPs.

The World Does Appear to be a More Challenging Place…

The growth engines of China and India appear to be significantly slowing. Brazil and Great Britain, along with much of Europe, generated negative growth in the first quarter. Interest rates have been cut in China and Brazil, with little visible impact in stimulating growth. Economic signs are more mixed in the U.S., despite or perhaps because of the drag from elsewhere. Both building permits and home sales have strengthened in this long moribund but large segment after a multi-year period of stagnation. Manufacturing alternates between encouraging and disappointing monthly data. Although the significant energy sector has provided an economic boost, weaker oil and gas prices are a current negative to investment, even as consumers enjoy lower cost as an offset. Being an important energy producing country is a major economic positive for the U.S. versus Europe, China, Japan and India. To further stimulate the low growth U.S. economy, on June 20th the Federal Reserve expanded Operation Twist by $267 billion, extending it to year-end. Additionally, Chairman. Bernanke indicated in his recent comments that inflation in the U.S. is estimated at well less than 2%, implying that the Fed has the flexibility to further stimulate the economy if necessary.

> "MLPs as a group have significantly improved their balance sheets over the past several years, as they have been able to access significant equity and term debt at attractive costs."

FUND FACTS as of 06/30/12

Investment Style		MLP Total Return
General Information	**A Shares**	**I Shares**
Ticker	AMLPX	IMLPX
CUSIP	560599102	560599201
Minimum Investment	$2,500	$1,000,000
Number of Holdings	20-30	20-30
Management Fee	1.25%	1.25%
12b-1 Fee	0.25%	NONE
Maximum Load	5.75%	NONE
Gross Expense Ratio	19.59%	19.34%
Net Expense Ratio (After Cap)	10.28%	10.13%
Expense Cap*	1.50%	1.50%

**The Fund's adviser contractually has agreed to cap the Fund's total annual operating expenses (excluding fee and commissions; borrowing costs; taxes; acquired fund fees and expenses; 12-b fees; and extraordinary expenses) at 1.50% of the average daily net assets of each class through March 31, 2013.*

Top 10 Holdings (as of 06/30/12)	% of Fund
Crosstex Energy, LP	0.99%
Kinder Morgan Management, LLC	1.94%
Eagle Rock Energy Partners, LP	1.94%
Sunoco Logistics Partners, LP	1.96%
Oneok Partners, LP	2.03%
Targa Resources Partners, LP	2.51%
Williams Partners, LP	2.76%
Western Gas Partners, LP	2.85%
El Paso Pipeline Partners, LP	3.97%
Williams Companies, Inc.	4.31%

Top Sectors (as of 06/30/12)	% of Fund
Natural Gas Gathering/Processing	33.50%
Crude/Refined Prod. Pipeline & Storage	32.20%
Natural Gas Pipeline & Storage	28.90%

Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

Performance: A Shares (as of 06/30/12)		
NAV per Share		$9.94
POP per Share		$10.55
Returns:	Without Load	With Load
1 Month	1.53%	-4.33%
3 Month	-2.77%	-8.34%
6 Month	0.42%	-5.34%
1 Year	5.05%	-0.95%
Since Inception (02/17/11)	5.78%	-0.30%

Performance: I Shares (as of 06/30/12)	
NAV per Share	$9.98
Returns:	
1 Month	1.53%
3 Month	-2.67%
6 Month	0.52%
1 Year	5.35%
Since Inception (02/17/11)	6.19%

The performance data quoted represents past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. To obtain performance data current to the most recent month-end please call 855.MLP.FUND (855.657.3863). Performance data shown reflects the Class A maximum sales charge of 5.75%. Performance data shown for the Class I shares does not reflect the deduction of a sales load or fee. If reflected, the load or fee would reduce the performance quoted.

…But a Place Where a Well-Positioned Niche Industry Should Prosper

MLPs as a group have significantly improved their balance sheets over the past several years, as they have been able to access significant equity and term debt at attractive costs. Their strong balance sheets, with very limited debt refinancing requirements over the next several years, appear likely to put many in a strong position should there be any new financial shock. Most MLPs have also effectively pre-financed many of their visible future growth projects. The bulk of future revenue growth is tied to projects dependent on fairly reliably rising domestic energy production with domestic oil replacing foreign oil imports, and also from shale gas and liquids production that is replacing coal as well as the declining production from conventional gas sources. Importantly, domestic shale gas and liquids production is quite cost competitive on a worldwide basis, enhancing the probability of continued production gains, as both ethane and propane are turned into plastics for the international marketplace. Midstream MLPs are the dominant third party providers of gathering, processing, transportation and fractionation services for this important and rapidly growing source of production. With virtually no exposure to the weakening economies in Europe, many MLPs appear to be in the sweet spot for revenue gains. One negative that we will analyze in this quarterly is that a portion of revenues at certain MLPs is directly or indirectly tied to the price of natural gas, natural gas liquids (NGLs) or the spread between them, even as tariff revenues account for a significant majority of revenues at most midstream MLPs.

MLP Performance Has Significantly Lagged that of the Broad Markets in 2012

After three years of strongly out-performing other equities, MLPs with a near zero total return in most indexes have significantly underperformed the S&P[1] 500 (up 8.3%), DJIA[2] (up 5.4%) and NASDAQ[3] (up 12.7%) in the first half of 2012. Several factors appear to be responsible, including very weak NGL prices (primarily ethane and propane), the direct result of an unusually large number of ethylene cracker shutdowns this past winter and spring by the chemical industry, both on a planned and unplanned basis, and an 18% warmer than normal winter (the warmest since 1932) that dramatically cut into propane and natural gas consumption as a heating fuel. Although cracker utilization has very recently moved back into the relatively full 95% range, significant ethane and propane inventories now overhang the marketplace, and prices appear likely to remain depressed for a period of time. Separately, the sharp decline in the price of oil has weighed on all energy equities, including MLPs. The very heavy MLP equity issuance of over $15 billion in the first half of 2012 on the heels of the record $21.9 billion sold in 2011 to fund the previously alluded to current and future growth projects appears to have pressured shares in a skittish market. Finally, several Wall Street analysts have recently speculated as to which MLPs might not generate sufficient cash at current energy prices to cover their current or future distributions. This is another topic we address more directly in a later section; however, we would summarize that although future growth rates could be diminished in a lower growth and low commodity price world, we do not see current distributions to be at risk, except in rare instances, even at the current depressed level of energy prices. Energy prices have had regular periods of volatility, frequently going higher or lower than fundamentals might imply. We do not believe that current prices and weak spreads reflect the long-term norm, even as we will offer no reasons or logic why energy prices might significantly strengthen over the balance of 2012.

The worst performing sub-sectors within the MLP universe year-to-date have been Exploration and Production (E&P), Propane and Coal. All of the companies in these segments have direct and/or indirect commodity price exposure, although some are better hedged than others, and were also heavily impacted by the warm winter. We have carried little or no direct exposure to these sub-sectors in our portfolio, as we have worked to avoid commodity price risk as much as possible. We prefer more stable tariff-based revenues even at the cost of a somewhat higher multiple of earnings and cash flow[4]. Our portfolio does carry a relatively higher weighting in Gathering and Processing, a sub-sector which performed better than E&P, Propane and Coal, although still generating a negative return in the first half of 2012. Within this Gathering and Processing sub-sector, we have focused on companies with stronger balance sheets, superior geographic focus, a higher portion of tariff based revenues, and visible growth.

(1) S&P 500: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States.
(2) Dow Jones Industrial Average (DJIA): A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.
(3) NASDAQ: a market capitalization-weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not through an exchange.
(4) Cash Flow: A measurement of the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

When It Rains, It Pours

The current natural gas liquid (NGL) surplus and price problem began with the very warm past winter, which severely cut into propane consumption, even as production from shale plays continued to increase. At the same time, a heavy schedule of ethylene cracker maintenance took place this winter and spring, temporarily but significantly reducing demand for ethane. Propane prices fell significantly enough to cause some crackers to shift their feedstock from ethane to propane, and leading to sharp price declines in both. The quoted prices for both ethane and propane at the Mont Belvieu hub fell by 41% and 34%, respectively, in May (Source: Morgan Stanley). The current approximate 30 cent per gallon price for ethane and low 80 cent price for propane compare to respectively 80 cents and $1.50 a year ago (Source: Morgan Stanley).

We do not anticipate a rapid rebound in NGL prices. Although almost all of the cracker capacity has now returned to service, substantial inventories have been built and it will take time to work off this excess inventory. Helping to alleviate the excess inventory in ethane, Enterprise Products L.P. (EPD, $52.89 as of 7/13/2012) estimates new demand for ethane of 70,000 barrels per day (bbls/d) (a 7% increase over current consumption) in the second half of 2012. This is in addition to the restart of ethylene crackers that were offline for maintenance, and ethane that is currently being re-injected into the natural gas stream to increase the BTU content rather than processed separately. Propane export facilities are currently at capacity, although Targa Resources (NGLS, $38.75; TRGP, $45.00 as of 7/13/2012) and Enterprise are building new export facilities, with Enterprise anticipating a Q4 2012 completion of its facility, which will almost double export its capacity by adding a substantial 3.5 million barrels (mm bbls)/month at this facility. Targa anticipates placing their export dock in service in mid-year 2013. There is a viable foreign market with strong demand for propane. Therefore, we do anticipate a gradual improvement in the intermediate term supply-demand balance and in prices even as we know that no one can predict next winter's weather or the amount of crop drying demand for propane. What is clear is that there will always be price and volume volatility in these energy products. It makes great sense for MLPs, which pride themselves on having generating predictable cash flow[4] and paying steadily rising distributions, to rely on tariffs for most of their revenues and then hedge any remaining commodity price risk into the future on a multi-year basis, even if it means giving up some of the "upside" in the process. It is important for MLP investors to know what commodity price risk exists in the companies in which they invest. However, it is not always easy to fully understand the exposures and risks in any company, given geographic price differences and differing effectiveness of hedges. Ethane, in particular, is a commodity which is difficult to hedge beyond the intermediate term.

However, There is Light at the End of the Tunnel

In our quarterly pieces over the past two years, we have regularly addressed the potential growth opportunities in the Midstream segment that exist for MLPs which are positioned to gather, process, transport and fractionate natural gas and NGLs that are being sourced from the rich new shale plays. Most recently, in June, Exxon announced that it is moving forward on a world scale cracker in Texas that is estimated to consume 80,000 to 90,000 bbls/d of ethane when it begins operation in 2016. This facility alone will reportedly add 8% to 9% to the domestic consumption of ethane. A number of other new and substantial crackers are scheduled for completion in 2015 and 2016, including the well-publicized Shell cracker in Pennsylvania, which appears likely to consume 60,000 bbls/d of ethane from the now developing Marcellus shale. Many projects are on the drawing board or currently being built by midstream MLPs to gather and transport oil and liquids from major development projects in the Bakken Field and Permian Basin and separately the Eagle Ford and Marcellus shale plays. Several major new fractionators, which separate the various NGLs into their individual components from the mixed stream, are also currently being planned or built. Importantly, MLPs are the major developers of most of these substantial midstream projects and are currently negotiating and signing contracts to build these facilities. In a world and a country that we earlier in this piece described as slow growth, it is of some note that certain energy assets and segments in this country have excellent growth prospects.

Are Tax Concerns Put to Bed, at Least for Now?

One question that regularly comes up is whether the tax advantages that MLPs possess will be maintained into the future. In our opinion MLPs have created substantial competitive advantages in their respective geographic and operational niches, and that the tax advantages are not critical to their survival and growth, even as they have assisted in accessing capital, adding to investor return and facilitating the building of important midstream assets. Clearly, they have also been a direct economic positive for individual investors.

(4) Cash Flow: A measurement of the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

This tax question has seemingly been put to bed, at least for now, with the introduction of a bi-partisan bill in Congress dubbed the "MLP Parity Act", a bill which would extend the same tax benefits to renewable sources of energy. The proposed legislation, together with greater recognition of the need for infrastructure to expand domestic energy production, has apparently quelled concerns about the tax status of MLPs, as the discussion has now shifted to one of fairness between tax treatment of different energy segments. Our concern now shifts to whether there might be a flood of alternative energy MLPs with less certain cash flow[4] streams, confusing and distracting investors from focusing on more stable and predictable tariff-supported MLPs. Yes, to steal an old, but great line from the comedienne, Gilda Radner, "it's always something".

How Much Risk Exists in Cash Flow[4] and Growth Guidance as a Result of the Recent and Major Declines in Commodity Prices?

Regular readers of our Investor Letter know that we have long emphasized the logic of seeking stable and predictable cash flow[4] when investing in MLPs. Our view has been that the somewhat higher yields that have typically been provided by E&P, Propane, Coal and Shipping MLPs do not adequately compensate investors for the greater risk and volatility in the cash flow[4] at these entities. Again, we have seen these commodity sensitive names under-perform in a weak pricing environment and add to the concern of investors. However, many Midstream MLPs continue to have various amounts of commodity price or margin exposure. Most management teams at midstream MLPs have worked hard to shift their mix of contracts away from those with commodity sensitivity to tariff-based contracts, particularly with new projects. However, such shifts take time and many midstream MLPs current obtain "only" 70% to 80% of their revenues from tariffs, even as some are more heavily weighted to commodity sensitivity and others approach 100% of revenues from tariff-based business.

Second quarter earnings and cash flow[4] will soon be reported, and we do anticipate that many company management teams will give updated and possibly reduced guidance to future cash flow[4], given the changing market conditions. We also believe that the consensus 6% to 7% distribution growth estimates for 2012 by Wall Street could be reduced. However, we do not expect wholesale disappointments. Many companies with commodity price exposure have effectively hedged these risks for two or even three years into the future through actual forward product sales or use of the futures market. Others, however, have been less aggressive in their hedging efforts, utilizing swaps, dirty hedges (selling forward different products such as oil in place of the produced liquids) or simply choosing to retain the risk for ethane and other products. The sharp recent decline in prices will be an excellent test of the effectiveness of management teams in managing risk. Over the past two weeks, NuStar (NS, $52.43) and Enbridge LLP (EEP, $30.13), two companies not owned in our model portfolio, announced significant losses on inadequate hedges and un-hedged inventories. Enbridge cut EBITDA[5] guidance for 2012 by 6% at the midpoint, and NuStar indicated that EBITDA[5] would be "significantly" below previous guidance. Separately, shares of Targa (both NGLS and TRGP) a company in which we do have a significant investment allocation, and to both listed securities, were sold off hard during the middle part of the quarter on concerns expressed by some Wall Street analysts about their commodity price exposure, with one analyst even stating that Targa might not be able to cover its distribution in the current weak pricing and margin environment. However, at the end of the quarter, the very credible (in our viewpoint) Targa management team publicly reiterated its 10% to 15% distribution growth guidance for NGLS this year, stating that the company would at least generate its distribution in free cash flow[6] over the next two years, even assuming current extremely depressed prices. The second quarter proved to be a real-time stress test for their operations. We are confident in Targa's long-term prospects, and continue to hold a significant position in both securities.

We Believe MLPs Continue to Have Excellent Appeal for Their High Yields, Visible Growth and Lower Risk Characteristics

Investors remain hungry for yield, but are exceedingly wary about risk. Lower risk MLPs currently yield in the 5% to 6% range. Those with more moderate or higher risk provide yields of 7%, 8% or 9%, with various amounts of commodity price risk and excess distribution coverage. Even if the 6% to 7%

(4) Cash Flow: A measurement of the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.
(5) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Essentially net income with interest, taxes, depreciation, and amortization added back to it; can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
(6) Free cash flow is revenue less operating expenses including interest expenses and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchases.

distribution growth estimates on Wall Street are reduced, there appears to be no slowdown in the pace of future growth projects, with the large bulk of them being attractive tariff-based midstream projects.

Importantly, MLP management teams are not moving forward on such projects without the capital required to complete them. Balance sheets remain strong because of the substantial amount of pre-financing, and revolvers remain largely underutilized. None of the MLPs in our model portfolio carry a debt/EBITDA[5] ratio higher than 4 times and few have over 3.5 times debt/EBITDA[5] ratios. Also, the great bulk of debt is termed out in the public market and very little debt requires refinancing over the next three years. In our opinion most MLPs have an attractive cost of debt capital, even as their (lower cost) revolvers remain available. As we stress test our holdings' corporate liquidity versus needs for capital, even if our model portfolio companies utilized these revolvers to fund their remaining growth capex for 2012, and sold no new equity, their balance sheets would still only average 3.6 times debt/EBITDA[5] on a portfolio weighted average basis. We are of the opinion that the balance sheets are as strong as the growth prospects and nothing approaching what existed in 2008.

We conclude by reiterating our belief that MLPs are an excellent sector for investment over the coming five years because of the attractive and unusual potential risk/reward ratio that exists in a world with too few such trade-offs.

David Fleischer, CFA

PRINCIPAL, CHICKASAW CAPITAL MANAGEMENT

(5) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Essentially net income with interest, taxes, depreciation, and amortization added back to it; can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to this index does not imply that the portfolio will achieve returns, volatility or other results similar to the index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time. It is not possible to invest directly in an index.

Earnings Growth is not a measure of the Fund's future performance.

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ADDITIONAL DISCLOSURES

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 855.MLP.FUND (855.657.3863). Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The Fund is nondiversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund will invest in Master Limited Partnerships (MLPs) which concentrate investments in the natural resource sector and are subject to the risks of energy prices and demand and the volatility of commodity investments. Damage to facilities and infrastructure of MLPs may significantly affect the value of an investment and may incur environmental costs and liabilities due to the nature of their business. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment. Investments in smaller companies involve additional risks, such as limited liquidity and greater volatility. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. MLPs are subject to certain risks inherent in the structure of MLPs, including complex tax structure risks, limited ability for election or removal of management, limited voting rights, potential dependence on parent companies or sponsors for revenues to satisfy obligations, and potential conflicts of interest between partners, members and affiliates.

An investment in the Fund does not receive the same tax advantages as a direct investment in the MLP.

The Fund is treated as a regular corporation or "C" corporation and is therefore subject to U.S. federal income tax on its taxable income at rates applicable to corporations (currently at a maximum rate of 35%) as well as state and local income taxes.

MLP Funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments. This deferred tax liability is reflected in the daily NAV and as a result the MLP Fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

The potential tax benefits from investing in MLPs depend on them being treated as partnerships for federal income tax purposes.

If the MLP is deemed to be a corporation then its income would be subject to federal taxation, reducing the amount of cash available for distribution to the Fund which could result in a reduction of the Fund's value.