MAINGATE
MLP FUND

# MLP UPDATE

July 11, 2019

SECOND QUARTER 2019

## Midstream Energy companies have essentially completed the difficult but now advantageous transformation to Midstream 2.0, which is an attractive corporate or more corporate-like structure than has been historically offered. Valuation[1] and opportunities remain excellent in our opinion, with the potential for well above average reward in a group with potentially lower than average fundamental risks.

The strong appeal of Midstream Energy securities, as measured by the Alerian MLP Index (AMZ)[2], can be summarized in the following bullet points:

- Yields[3] average nearly 8% with 1.44x coverage of the distributions, and this high excess cash flow[4] is funding nearly all the equity capital[5] required for high-returning growth projects.
- Balance sheets are strong, with debt-to-earnings before interest, taxes, depreciation and amortization (EBITDA)[6] at 3.6x for the AMZ, which has consistently decreased since 2016.
- The transformation to Midstream 2.0, with its elimination of incentive distribution rights (IDRs)[7] to General Partners (GPs), substantially higher dividend/distribution coverage ratios[8], resulting excess cash flow to fund the equity portion of attractive capital projects, and strengthened balance sheets have created major appeal as yet underappreciated by investors.
- Private asset sales continue with the bulk of transactions announced at 12x or greater enterprise value (EV) to EBITDA[9], and compared to the average 9.7x EV/EBITDA multiple of publicly traded companies[10], arguably retaining more attractive assets than those being sold.

(1) Valuation: The process of determining the current worth of an asset or a company. (2) Alerian MLP Index: A capitalization-weighted index of the 50 most prominent energy Master Limited Partnerships. Visit http://www.alerian.com/indices/amz-index for more information, including performance. You cannot invest directly in an index. (3) Yield: Refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. (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) Equity Capital: Invested money that represents the owners' risk through the purchase of a company's common stock and is not repaid to investors in the normal course of busines. (6) Debt to EBITDA: A measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). (7) Incentive Distribution Rights (IDRs): An incentive plan designed to give general partners in a limited partnership increasing shares of the distributable cash-flow generated by the partnership, as per-unit distribution increases to the limited partners. (8) Distribution Coverage Ratio: An MLP's distributable cash flow divided by the total amount of distributions it paid out. (9) Enterprise Value to EBITDA (EV/EBITDA): A measurement of value, calculated as a company's market value, divided by its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). (10) Wells Fargo Securities, "July Midstream Monthly", 6/30/19.



## FUND PERFORMANCE

### A Shares – AMLPX (as of 6/30/19)

| | Without Load | With Load |
|---|---|---|
| NAV per Share | | $7.16 |
| POP per Share | | $7.60 |
| Returns: | Without Load | With Load |
| 3 Month | -2.08% | -7.76% |
| Calendar YTD | 17.59% | 10.79% |
| 1 Year | -4.93% | -10.41% |
| 3 Year | -2.24% | -4.15% |
| 5 Year | -7.14% | -8.23% |
| Since Inception (2/17/11) | 2.08% | 1.36% |

### C Shares – MLCPX (as of 6/30/19)

| | Without Load | With Load |
|---|---|---|
| NAV/POP per Share | | $6.92 |
| Returns: | Without Load | With Load |
| 3 Month | -2.29% | -3.25% |
| Calendar YTD | 17.12% | 16.12% |
| 1 Year | -5.71% | -6.57% |
| 3 Year | -3.00% | -3.00% |
| 5 Year | -7.83% | -7.83% |
| Since Inception (3/31/14) | -5.20% | -5.20% |

### I Shares – IMLPX (as of 6/30/19)

| | |
|---|---|
| NAV per Share | $7.37 |
| Returns: | |
| 3 Month | -2.03% |
| Calendar YTD | 17.74% |
| 1 Year | -4.69% |
| 3 Year | -2.00% |
| 5 Year | -6.92% |
| Since Inception (2/17/11) | 2.34% |

*Gross Expense Ratio A Shares = 1.66% | Net Expense Ratio = 1.66%*
*Gross Expense Ratio C Shares = 2.41% | Net Expense Ratio = 2.41%*
*Gross Expense Ratio I Shares = 1.41% | Net Expense Ratio = 1.41%*

*The Fund's adviser has contractually agreed to cap the Fund's total annual operating expenses (excluding brokerage fees and commissions; borrowing costs; taxes, such as Deferred Income Tax Expense; Class A 12b-1 fees; and extraordinary expenses) at 1.50% through March 31, 2020. Deferred income tax expense/(benefit) represents an estimate of the Fund's potential tax expense/(benefit) if it were to recognize the unrealized gains/(losses) in the portfolio. An estimate of deferred income tax expense/(benefit) depends upon the Fund's net investment income/(loss) and realized and unrealized gains/(losses) on its portfolio, which may vary greatly on a daily, monthly and annual basis depending on the nature of the Fund's investments and their performance. An estimate of deferred income tax expenses/(benefit) cannot be reliably predicted from year to year. Net expense ratios represent the percentages paid by investors and reflect a 0.00% Deferred Income Tax Expense which represents the performance impact of accrued deferred tax liabilities across the Fund, not individual share classes, for the fiscal year ended November 30, 2018 (the Fund did not have a current tax expense or benefit due to a valuation allowance).*

*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 for Class A shares with load reflects the maximum sales charge of 5.75%. Performance data shown for Class C shares with load reflects the maximum deferred sales charge of 1.00%. Performance data shown for Class I shares does not reflect the deduction of a sales load or fee. Performance data shown "Without Load" does not reflect the deduction of the sales load or fee. If reflected, the load or fee would reduce the performance quoted.*

- Buckeye Partners (BPL, $41.36), which, in our opinion, is a solid company but did not exhibit top quartile growth prospects, announced on May 10, 2019 it was being acquired for a cash offer which was a 27.5% premium to the previous day's closing price, representing an 11.7x EBITDA multiple (12x when considering two expected additional distributions prior to the anticipated close).

- Significant brownfield (add-on investments to existing assets) growth and expansion opportunities are underway and exist at many Midstream Energy companies, taking advantage of nearly $180 billion spent and expected to be spent since the end of 2015 through 2019[11], and are expected to generate higher returns.
- Hydrocarbon consumption growth will, in our judgement and with strong supporting analysis later in this Investor Letter, likely continue for many years into the future, notwithstanding growth in wind, solar, and other alternative fuel sources.

After the strong first quarter rebound in Midstream Energy shares, the group, as measured by the Alerian MLP Total Return Index (AMZX)[12] was essentially flat in the second quarter, increasing +0.1%. We were encouraged by this performance as oil, natural gas and natural gas liquids (NGLs) commodity prices were all weak during the second quarter, when short-term excesses of supply became a concern. Is it possible that investors are finally realizing most Midstream Energy companies are largely insulated from these short-term commodity price swings? This past quarter was also one where discussions focused more on the significant disconnect between private and public market valuations. The bid for Buckeye, at a significant premium, was helpful in focusing that conversation. Also, share price volatility lessened during the quarter, perhaps reducing investor angst. With volatility frequently cited as a potential impediment to new investor dollars coming to the Midstream sector, second quarter performance should be viewed positively, as average daily volatility for the trailing 100 days decreased by 38.2% during the quarter. Meanwhile the standard deviation[13] of returns during the quarter for the AMZX was relatively lower than that of the NASDAQ Composite[14], the S&P 500 Energy Sector[15], and West Texas Intermediate crude oil (WTI)[16]

We addressed the difficult-to-answer question in our last Investor Letter of potential catalysts, which might refocus investor interest on Midstream Energy, a group which we contend has the potential for above average reward, below average risk and extremely attractive valuation. Although we didn't ask for responses or opinions on the topic, many of you did respond, and for this we are grateful. The most common comment was there is concern the environmental focus and so-called Green New Deal might significantly reduce demand for fossil fuels, as wind and solar take significant market share in the future. Questions were asked as to whether fossil fuels might be approaching their twilight. We will do our best in the next section to factually address this concern.

## Are wind, solar and other alternatives a major risk to Midstream Energy company growth and valuation?

Our short answer to this question is, 'No'. Those who believe wind and solar will gain significant market share in generating electricity in the United States and Europe are not wrong. However, contrary to popular belief and as explained below, the bulk of cost efficiency gains to be achieved by wind and solar have already been achieved, as we will highlight in the subsequent paragraph below. Also, 'Not in My Back Yard Syndrome' (NIMBY) has been and continues to be a major impediment to wind and solar projects, ironically similar to new gas and crude oil pipelines. Many potential onshore and offshore wind projects have been indefinitely delayed or canceled, given the huge amount of land required for wind projects and the resistance to offshore projects for similar reasons. Even in remote wind project locations, a sighting of a single eagle's nest has halted the project. The number of birds being killed by wind farms has become a major topic of concern. Wind and solar projects have ironically been more accepted in Western states with oil and gas drilling already present, where the wind blows fairly steadily from Texas up through the Dakotas. However, an electrical grid to deliver the generated electricity to markets has been a major challenge in all parts of the United States.

Although many environmentalists and politicians have increasingly stated that wind, solar and other alternative sources of energy are destined to, and soon will, replace hydrocarbons, the facts do not appear to support this thought process.

(11) Wells Fargo Securities, "July Midstream Monthly", 6/30/19. (12) The Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization-weighted index, whose 50 constituents represent approximately 75% of total market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). (13) Standard deviation: In statistics, the standard deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values. (14) NASDAQ Composite: A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures. (15) S&P 500 Energy Sector GICS Level 1 Index: Tracks the total return of the S&P 500 Energy Sector, a GICS level 1 sector group. (16) West Texas Intermediate (WTI): A grade of crude oil used as a benchmark in oil pricing; also known as Texas light sweet.

Many studies point to difficulties or the impossibility of such an outcome. In this section, we will cite work by Mark Mills[17], a physicist with experience in developing and investing in energy technology and digital power, whose study was recently published by the Manhattan Institute[18] where he is a Senior Fellow. Mr. Mills points to the premise of the Green New Deal and equivalent proposals "that the technologies of wind and solar power and battery storage are undergoing the kind of disruption experienced in computing and communications, dramatically lowering costs and increasing efficiency." He convincingly uses rules of physics to debunk the analogy some make to technology advances and cost decreases, and points to the fixed amount of energy required to move a vehicle of a certain weight over a distance or heat an amount of product such as steel. Mr. Mills cites the existing 26% conversion of photons into electrons for solar cells versus the Shockley-Queisser[19] limit of 34%. Similarly, the Betz limit of maximum capture of kinetic energy in moving air is 60%, compared to the 40% efficiency currently of commercial wind turbines. He indicates there is room for efficiency improvement, but not much. Mr. Mills outlines the even greater difficulties and costs of using batteries to store energy, and at some 200 times the cost of storing oil.

Mr. Mills also makes the important point that a wind and solar grid would need to be sized at three times the size of a fossil fuel grid because of the need to meet peak demand with expensive batteries and supply energy when the wind isn't blowing as much, or the sun isn't shining. This would imply a massively higher cost structure for such a wind and solar grid, that is not being factored into the net per unit costs. All this is in sharp contrast to many non-scientists who state clean technology can further reduce costs by as much as ten-fold or advances can bring solar energy costs to near zero by 2030. Such conclusions do not appear to be based on any real science or logic.

We are not concluding that some other sources of energy, be it from hydrogen or from nuclear sources, will not eventually supply significant energy in the future, and we absolutely leave the door open for new technologies, unforeseen developments, or grand scale global subsidies. However, such advances appear to be decades away, and cannot be factored into terminal values as a "finger in the wind". It also appears quite possible that carbon capture, or carbon extraction from the atmosphere can stabilize or reduce $CO_2$ in the atmosphere, with many of these technologies currently being rolled out commercially. Methane releases from wetlands, farming, inadvertent releases from drilling and transporting natural gas and from the flatulence of 1.5 billion cows in the world produce an output per unit at least 30 times as impactful as $CO_2$. To little fanfare, the energy industry is working hard to reduce these inadvertent releases, where it can.

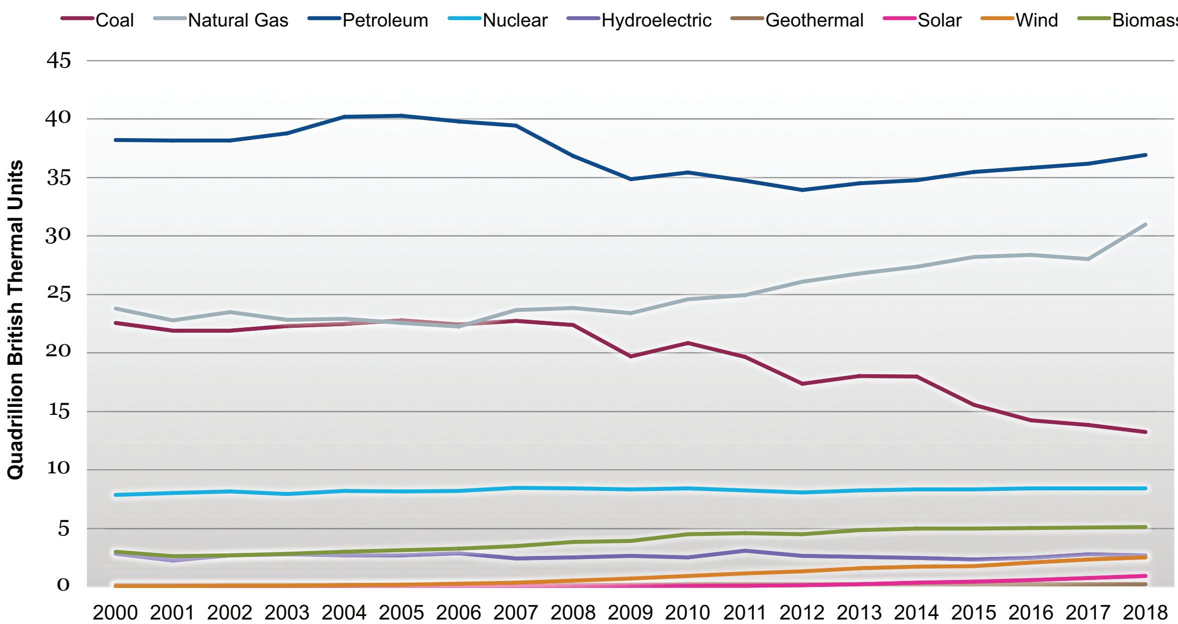
Investors need to keep in perspective that hydrocarbons currently represent 84% of the total global energy supply, compared to 87% twenty years ago, according the U.S. Energy Information Agency (EIA)[20] These numbers include the historic increases of wind and solar generation and the major effort and subsidies to support them. Mr. Mills points out over these past two decades world energy consumption has increased by 50%. All credible forecasts we have seen predict significant further energy consumption growth over the next two decades, particularly in Asia. It does not appear to us that there are other viable options to hydrocarbons to meet the expected demand growth, although we do believe there is a major shift away from higher polluting coal.

## Likely future sources of energy to meet demand.

Notwithstanding the analysis of the previous section, we do believe wind and solar electricity production will continue to grow and gain market share in the United States and particularly in Western Europe, because of a willingness to subsidize their use and in spite of the NIMBY resistance. However, alternatives do not appear to be, or likely soon to be, as much of a priority in other areas of the world. The EIA indicates in its published statistics that coal generated 27.4% of electricity in the U.S. in 2018, while nuclear power generated 19.3% and natural gas 35.1%[21].

(17) Mark P. Mills is a senior fellow at the Manhattan Institute and a faculty fellow at Northwestern University's McCormick School of Engineering and Applied Science where he co-directs an Institute on Manufacturing Science and Innovation. (18) Mark P. Mills, "'The New Energy Economy': An Exercise in Magical Thinking", Manhattan Institute, March 26, 2019. (19) Shockley-Queisser: In physics, the Shockley–Queisser limit, also known as the detailed balance limit, Shockley Queisser Efficiency Limit or SQ Limit, refers to the maximum theoretical efficiency of a solar cell using a single p-n junction to collect power from the cell. (20) Energy Information Administration (EIA): The EIA collects, analyzes, and disseminates independent and impartial energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment. (21) EIA Monthly Energy Review, June 2019.

## Energy Consumption in the U.S.




Source: U.S. Energy Information Agency, 1949-2018

Environmental pressures appear likely to force shutdowns of a major portion of coal-fired plants over the next two decades, as well as, counter intuitively, most of the nuclear power plants in the United States. Coal-fired plants do emit substantially greater amounts of $CO_2$ and other pollutants than from natural gas. Nuclear power, of course, does not. However, for many and varied reasons, numerous coal and nuclear electric generating plants are already slated for shutdown. Even if wind and solar, with a combined 8% market share of electricity production in the U.S. were to triple or more than triple their production, as some currently forecast, it would appear natural gas will likely gain significant market share of a growing electricity market in the U.S. over the next two decades.

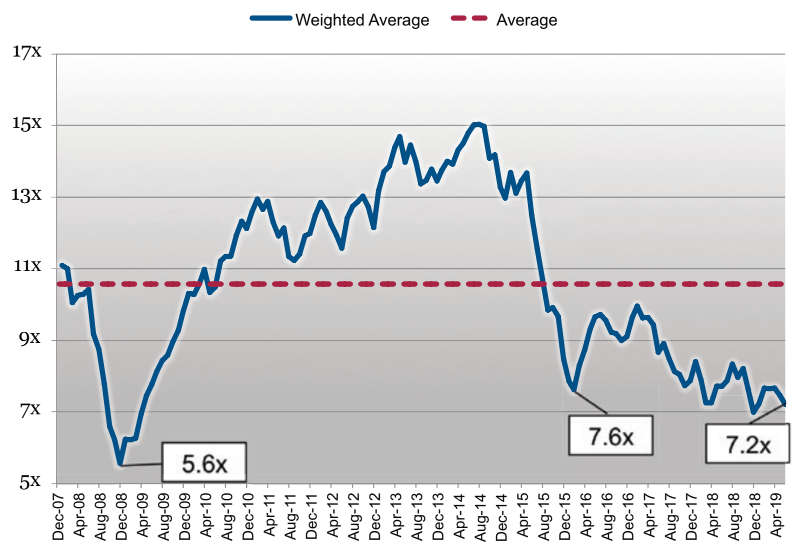
Oil consumption in the world has reached 100 million bbl/d for the first time in 2019, and consumption is forecast to rise by about 1% per year according to estimates by the International Energy Agency (IEA) over the next two decades. Consumption increases are forecast to be predominantly in Asia, where more than half of the world's population lives, and where the demand for oil as a transportation fuel for cars, trucks and airplanes is expected to increase as Asians advance their standard of living toward that of Western Europe and the United States. Oil consumption is flattening or being reduced in Western countries, which offsets the overall global growth figure to arrive at the net 1% growth rate.

Aside from natural gas and crude oil, Midstream companies transport, process, deliver and store NGLs (ethane, propane, butane, isobutane, and natural gasoline) which are crucial to the development of emerging countries. According to Enterprise Products Partners LP (EPD, $30.52) Fundamentals Group, current 5.5 mm bbls/d of production in the U.S. are forecast to rise to 8.5 mm bbls/d by 2025. Ethane and some propane production are used by the chemical industry to make plastics, and plentiful U.S. supplies are in heavy demand by ethylene crackers being built along the U.S. Gulf Coast, with most being built by foreign chemical companies to supply the world with the plastic containers, packaging, and product materials we take for granted in the U.S. and the rest of the world covets as a lifestyle improvement.

The point that needs to be emphasized is it appears highly likely in a world economy for energy and energy-related products that the U.S., with its low-cost and plentiful supplies, will produce, consume and export significantly greater quantities of natural gas, oil, ethane, propane and butane, even as wind and solar continue to increase their market share. Although it may be stating the obvious, plastics, many chemicals and fertilizers can only be made from hydrocarbons, and therefore natural gas, ethane, propane and oil are the only viable sources for these products which increase living standards. These products made from plastic appear likely to be made in greater quantities, as other parts of the world seek economic growth and advance their economies

Midstream companies are uniquely positioned to benefit from the continued global consumption growth. The United States, as we have pointed out in previous Investor Letters, is blessed with substantial quantities of low-cost resources of all these commodities. In a world likely to demand greater quantities of all these commodities, and because the world has become an international marketplace for hydrocarbons, the group appears positioned to generate significant growth for a number of years. At the same time, Midstream Energy companies are being priced at a discount to the value of their current cash flows, much less given any credit for future growth. We can only conclude that investors do not believe the growth story we have been describing, or more likely the difficult market and underperformance of energy during the bull market in the broader market has been a psychological deterrent to their interest. We will again point to the attractive valuation in the below charts and the attractive and well-supported yields that are not readily found in other groups.

**Alerian Weighted P/DCF**[22]




Average = 10.6x | Current = 7.2x | Minimum = 5.6x

Bloomberg, Chickasaw, as of June 30th, 2019

## The major benefits to investors, seemingly unrecognized by the market, of the transformation to Midstream 2.0.

Midstream Energy companies have, in their metamorphosis to Midstream 2.0, improved their balance sheets, significantly increased their dividend/distribution coverage ratios, reduced their cost of capital[23] and become, in most instances, equity self-sufficient for capital for attractive growth projects, all very similar to other companies. Additionally, and importantly, because of the pressure of limited capital availability, most companies have raised the bar on expected returns on new projects. New pipeline projects under development appear to have stronger contract backing and higher return thresholds than in previous years.

Also, there are many more brownfield pipeline projects, which expand capacity or capabilities of existing assets and which typically have better economics than greenfield projects. This is a trend we believe will continue. Although the massive Dakota Access Pipeline (DAPL)[24] built at a cost of ~$5.0 billion and jointly owned by Energy Transfer LP (ET, $14.75), Phillips 66 Partners LP (PSXP, $51.36), MPLX LP (MPLX, $32.37) and Enbridge Inc (ENB, $36.89), has excellent returns to transport 570,000 bbl/d nearly 2,000 miles to the Texas Gulf Coast.

(22) Price to Distributable Cash Flow (P/DCF): Market cap of the MLP divided by a full year of distributable cash flow, which is measured as earnings before interest, taxes, depreciation and amortization (EBITDA) available to pay unitholders after reserving for maintenance capital expenditures and payment of interest expense. (23) Cost of Capital: The cost of funds used for financing a business. (24) Dakota Access Pipeline or Bakken Pipeline: A 1,172-mile-long (1,886 km) underground oil pipeline project in the United States.

The planned expansion project will move an incremental 300,000 to 500,000 for a total capacity of 800,000 and potentially 1 mm bbls/d, and will have much stronger returns because no new pipe and only compression is required while still receiving the stated tariff for the new barrels. Enterprise continues to make substantial investments in their supply chain allowing them to make incremental returns upstream or downstream on existing assets as witnessed with their 7/8/19 announcement for asset expansions along the Houston Ship Channel to increase export capabilities for very low capital and subsequently strong returns. There are many other such examples as companies similarly increase pipeline capacity, add to dock capacity or better utilize fractionation[25], as more ethane is required by customers.

We've noticed much greater capital discipline, with a willingness to sell assets or bring in joint venture partners who bring both capital and volumes to more quickly fill a system. Midstream companies have transitioned into much more investor-centric companies, with little such recognition yet from investors. We expect these important trends will be sustained as management teams realize they need to function in a capital-limited world, even as investment and growth opportunities remain excellent.

## Our thoughts on energy markets and prices, plus the likely implications for Midstream Energy companies.

The Organization of Petroleum Exporting Countries (OPEC)[26] meeting on July 1, 2019 appears to have been successful in limiting crude supply and giving the marketplace confidence that oil supplies would be managed to keep the market in relative balance. OPEC and Russia agreed to continue the 1.2 million bbls/d of export reductions for nine months, taking the agreed upon cuts through the seasonally weak first quarter of 2020. Saudi Arabia also indicated a willingness to shoulder more than its share of these cuts to help balance the markets. The seeming unlikelihood of Venezuela or Iran increasing production or capturing greater export volumes also was helpful to the crude price rally leading up to and following the OPEC meeting. The oil markets do not appear to be much out of balance at this point, unless the world economies suffer from reduced growth as a result of trade wars or otherwise, a concern that has not yet dissipated, as economists have been edging down their world GDP[27] forecasts. We are in general agreement with those concluding that WTI prices are likely to remain at a price level adequate for domestic producers to continue to drill and increase production.

Weak natural gas and natural gas liquids (NGL) prices have weighed on the energy markets in recent months because of excess domestic supplies tied to a near-term LNG surplus in the world and a delay in the completion of ethylene crackers, which are destined to consume massive quantities of ethane. With the visibility to these delayed crackers being completed over the next year, and with new liquids export facilities expected in both the fourth quarter of 2019 and early in 2020, we expect the current excess in supply of NGLs to be reduced, although not eliminated, in coming months. In contrast, natural gas prices could weaken further and remain weaker for longer. Despite these price challenges, we estimate ~90% of the cash flow in the AMZ is fee-based and/or contracted, and tied to volume movement across the systems with customers who utilize multiple assets. Price levels of the commodities are of less importance to Midstream Energy companies, as long as they are adequate for producers to continue their drilling and production, which we believe is the case for the low-cost basins in the United States.

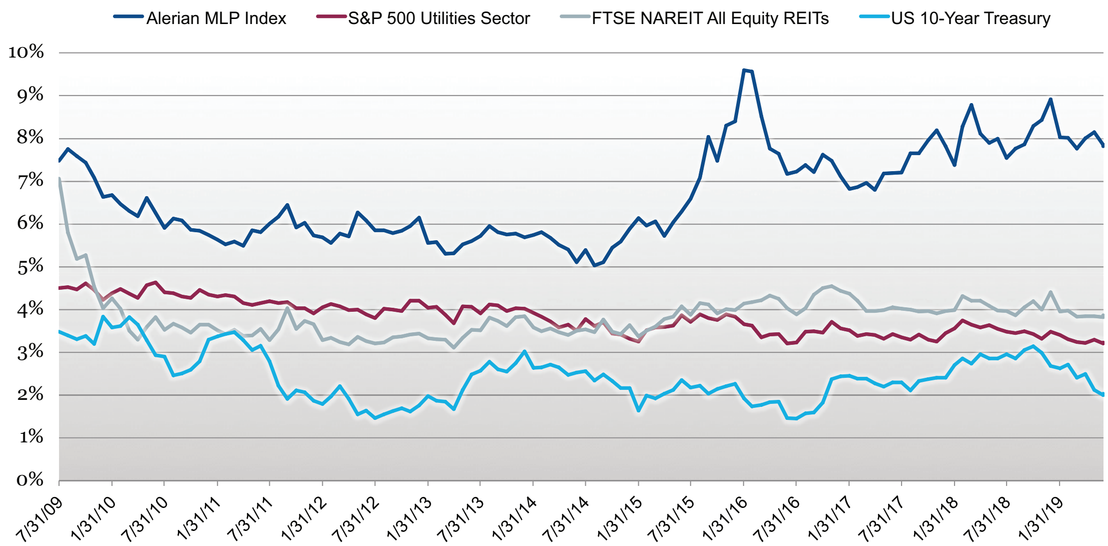
## Our brief thoughts, both absolute and relative, on valuation.

We've been intrigued as we've watched investment bank strategists talk about the fragility of the world's economies and risks from possible trade wars. The rally in the broader markets this year to existing price targets has led most firms to state there is little remaining upside to the market this year. Wells Fargo reduced its price target for the S&P 500[28] to the 2900 to 3000 range, where the index already sits. RBC Securities cut its earnings per share forecast to a gain of 2% in 2019. Then, finally, this week Morgan Stanley pulled the plug and downgraded global equities. We will not attempt to make a market call, and will state it is certainly possible that the broader market could continue to climb the proverbial 'wall of worry', particularly if the overhang of trade wars were to be eliminated and interest rates were to be reduced by the Federal Reserve. That said, every investment needs to be evaluated on the basis of risk and reward, and it is meaningful that many of the top strategists on Wall Street are forecasting limited upside opportunities in the stock market.

Midstream Energy companies have long been compared to other high-yielding securities, which are currently not so

(25) Fractionation: Once natural gas liquids (NGLs) have been separated from a natural gas stream, they are broken down into their component parts, or fractions, using a distillation process known as fractionation. (26) OPEC (Organization of the Petroleum Exporting Countries): An international organization and economic cartel whose mission is to coordinate the policies of the oil-producing countries. The goal is to secure a steady income to the member states and to collude in influencing world oil prices through economic means. (27) Gross Domestic Product (GDP): The monetary value of all goods and services produced within a country's borders in a specific time period (typically one year). (28) 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.

## Yield Comparison




As of June 30th, 2019

high yielding, given their market performance in recent years. As of June 30, 2019, the S&P 500 Utility Index[29] yielded 3.2%, the FTSE NAREIT All Equity REITs[30] yielded 3.9%, and the U.S. 10 Year Treasury[31] yielded 2.0%. In contrast, the AMZ yield remains at 7.9% and at near-record spreads to these other asset classes. We do not use yield as a valuation tool, believing other metrics are superior. However, in a yield-starved world and with a coverage ratio in the index of 1.44x, these yields are ones that should capture the attention of investors at some point: 1) when they believe the fundamental and valuation metrics we write about, 2) when the broader market shows signs of weakness or 3) when that elusive catalyst we are continually asked about appears. In addition, the consensus distributable cash flow growth (DCF)[32] growth expectation for the AMZ in 2020 is ~5.0%.

## Thank you to our investors.

For a number of recent past Investor Letters, we have thought that a share price recovery was logical to expect at any point in time, even as we have never been presumptuous to call the timing of a turn in the group. Fundamentals have only continued to improve almost every quarter, as valuations on a relative and absolute basis have gotten more attractive in most past quarters. The conversion to Midstream 2.0 appears to have positioned the group in a very advantageous place. We believe competitive concerns about alternative energy sources are misplaced. The strong market positioning, improving fundamentals, excellent valuations and interest by private equity in the group only make us more optimistic about what we view as a strong potential return and low-risk investment opportunity.

David Fleischer, CFA    Geoffrey Mavar    Matt Mead    Robert Walker    Bryan Bulawa

(29) S&P 500 Utility Index: Comprises those companies included in the S&P 500 that are classified as members of the Global Industry Classification Standard utilities sector. (30) The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property. (31) The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months, and pays the face value to the holder at maturity. (32) Distributable Cash Flow: Measured as earnings before interest, taxes, depreciation and amortization (EBITDA) available to pay unitholders after reserving for maintenance capital expenditures and payment of interest expense.

# SAVE THE DATE

September 18-19, 2019

## Chickasaw Capital MLP Investor Conference 2019

September 18-19 | Four Seasons Hotel | Houston, Texas

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as we bring together both managers and investors to discuss the important topics impacting US energy infrastructure and MLPs today.

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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. Indices are unmanaged. The figures for the indices do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The AlerianMLP 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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**FTSE NAREIT US Real Estate Total Return Index Series:** Tracks the total return of the FTSE NAREIT US Real Estate Index Series which is designed to present investors with a comprehensive family of REIT performance indexes that spans the commercial real estate space across the US economy. Dividends are reinvested. The index series provides investors with exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

**NASDAQ Composite:** A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

**S&P 500 Energy Sector GICS Level 1 Index:** Tracks the total return of the S&P 500 Energy Sector, a GICS level 1 sector group.

**S&P 500 Utilities Index:** The S&P 500® Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

Distributable Cash Flow (DCF) is calculated as net income plus depreciation and other noncash items, less maintenance capital expenditure requirements. Distributable cash flow (DCF) data is CCM calculated consensus of Wall Street estimates. The estimated consensus weighted average distributable cash flow (DCF) per unit growth rate for the AMZ and the MainGate MLP Fund incorporates market expectations by using the average annual growth rate using rolling-forward 24-month data. DCF growth rate is not a forecast of the portfolio's future performance. DCF growth rate for the portfolio's holdings does not guarantee a corresponding increase in the market value of the holding or the portfolio.

Distributions are quarterly payments, similar to dividends, made to Limited Partner (LP) and General Partner (GP) investors. These amounts are set by the GP and are supported by an MLP's operating cash flows.

Distribution Coverage Ratio is calculated as cash available to limited partners divided by cash distributed to limited partners. It gives an indication of an MLP's ability to make dividend payments to limited partner investors from operating cash flows. MLPs with a coverage ratio of in excess of 1.0 times are able to meet their dividend payments without external financing.

EBITDA is earnings before interest rates taxes depreciation and amortization.

Leverage is net debt divided by EBITDA.

WTI is a grade of crude oil referenced for pricing.

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.

**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.**

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.

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.

Dow Jones Industrial Average (DJIA): A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

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. References to an 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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MAINGATE MLP FUND

| | |
|---|---|
| **Net Assets (as of 6/30/19)** | $1,314,939,642 |
| **Investment Style** | MLP Total Return |

**A Shares: General Information**

| | |
|---|---|
| **Ticker** | AMLPX |
| **CUSIP** | 560599102 |
| **Minimum Initial Investment** | $2,500 |
| **Number of Holdings** | 20-30 |
| **Maximum Front-End Load** | 5.75% |
| **Redemption Fee** | NONE |
| **Management Fee** | 1.25% |
| **12b-1 Fee** | 0.25% |
| **Contingent Deferred Sales Charge** | NONE |
| **Expense Ratio before Deferred Taxes** *(after fee waivers/reimbursements)*[1] | 1.66% |
| **Deferred Income Tax Expense**[2] | 0.00% |
| **Gross Expense Ratio** | 1.66% |
| **Net Expense Ratio**[2] | 1.66% |

**C Shares: General Information**

| | |
|---|---|
| **Ticker** | MLCPX |
| **CUSIP** | 560599300 |
| **Minimum Initial Investment** | $2,500 |
| **Number of Holdings** | 20-30 |
| **Maximum Front-End Load** | NONE |
| **Redemption Fee** | NONE |
| **Management Fee** | 1.25% |
| **12b-1 Fee** | 1.00% |
| **Contingent Deferred Sales Charge** | 1.00% |
| **Expense Ratio before Deferred Taxes** *(after fee waivers/reimbursements)*[1] | 2.41% |
| **Deferred Income Tax Expense**[2] | 0.00% |
| **Gross Expense Ratio** | 2.41% |
| **Net Expense Ratio**[2] | 2.41% |

**I Shares: General Information**

| | |
|---|---|
| **Ticker** | IMLPX |
| **CUSIP** | 560599201 |
| **Minimum Initial Investment** | $1,000,000 |
| **Number of Holdings** | 20-30 |
| **Maximum Front-End Load** | NONE |
| **Redemption Fee** | NONE |
| **Management Fee** | 1.25% |
| **12b-1 Fee** | NONE |
| **Contingent Deferred Sales Charge** | NONE |
| **Expense Ratio before Deferred Taxes** *(after fee waivers/reimbursements)*[1] | 1.41% |
| **Deferred Income Tax Expense**[2] | 0.00% |
| **Gross Expense Ratio** | 1.41% |
| **Net Expense Ratio**[2] | 1.41% |

| | |
|---|---|
| **Last Quarterly Distribution (4/24/19)** | $0.1575 |

| **Top 10 Holdings (as of 6/30/19)** | **% of Fund** |
|---|---|
| **Williams Cos Inc Del** | 12.77% |
| **Energy Transfer LP** | 11.33% |
| **Enterprise Prods Partners LP Com** | 8.33% |
| **Western Midstream Partners LP** | 6.54% |
| **Plains GP Holdings LP** | 6.07% |
| **Plains All Amern Pipeline LP** | 5.92% |
| **ENLINK Midstream LLC** | 5.82% |
| **Targa Res Corp** | 5.66% |
| **Genesis Energy LP** | 5.32% |
| **MPLX LP** | 4.89% |

| **Top Sectors (as of 6/30/19)** | **% of Fund** |
|---|---|
| **Crude/Refined Prod. Pipe/Storage** | 41.15% |
| **Natural Gas Pipe/Storage** | 43.13% |
| **Natural Gas Gather/Process** | 15.72% |

*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 6/30/19)**

| | | |
|---|---|---|
| **NAV per Share** | | $7.47 |
| **POP per Share** | | $7.93 |
| **Returns:** | **Without Load** | **With Load** |
| **3 Month** | -2.08% | -7.76% |
| **Calendar YTD** | 17.59% | 10.79% |
| **1 Year** | -4.93% | -10.41% |
| **3 Year** | -2.24% | -4.15% |
| **5 Year** | -7.14% | -8.23% |
| **Since Inception (2/17/11)** | 2.08% | 1.36% |

**Performance: C Shares (as of 6/30/19)**

| | | |
|---|---|---|
| **NAV/POP per Share** | | $6.92 |
| **Returns:** | **Without Load** | **With Load** |
| **3 Month** | -2.29% | -3.25% |
| **Calendar YTD** | 17.12% | 16.12% |
| **1 Year** | -5.71% | -6.57% |
| **3 Year** | -3.00% | -3.00% |
| **5 Year** | -7.83% | -7.83% |
| **Since Inception (3/31/14)** | -5.20% | -5.20% |

**Performance: I Shares (as of 6/30/19)**

| | |
|---|---|
| **NAV per Share** | $7.37 |
| **Returns:** | |
| **3 Month** | -2.03% |
| **Calendar YTD** | 17.74% |
| **1 Year** | -4.69% |
| **3 Year** | -2.00% |
| **5 Year** | -6.92% |
| **Since Inception (2/17/11)** | 2.34% |

*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 for Class A shares with load reflects the maximum sales charge of 5.75%. Performance data shown for Class C shares with load reflects the maximum deferred sales charge of 1.00%. Performance data shown for 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.*

**The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary 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.**

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

## INVESTMENT ADVISOR


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info@chickasawcap.com


## PORTFOLIO MANAGERS


| | |
|---|---|
| Geoffrey P. Mavar | Principal |
| Matthew G. Mead | Principal |
| David N. Fleischer, CFA | Principal |


*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. When the Fund invests in MLPs that operate energy-related businesses, its return on investment will be highly dependent on energy prices, which can be highly volatile.*

*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.*

*[1] The Fund's adviser has contractually agreed to cap the Fund's total annual operating expenses (excluding brokerage fees and commissions; borrowing costs; taxes, such as Deferred Income Tax Expense; acquired fund fees and expenses; 12b-1 fees; and extraordinary expenses) at 1.50% of the average daily net assets of each class through March 31, 2020, subject to possible recoupment by the adviser within three years from the date of reimbursement to the extent that recoupment would not cause the Fund to exceed the expense cap. The Board of Trustees has sole authority to terminate the expense cap prior to its expiration and to approve recoupment payments.*

*[2] The Fund's accrued deferred tax liability is reflected in its net asset value per share on a daily basis. Deferred income tax expense/(benefit) represents an estimate of the Fund's potential tax expense/(benefit) if it were to recognize the unrealized gains/(losses) in the portfolio. An estimate of deferred income tax expense/(benefit) depends upon the Fund's net investment income/(loss) and realized and unrealized gains/(losses) on its portfolio, which may vary greatly on a daily, monthly and annual basis depending on the nature of the Fund's investments and their performance. An estimate of deferred income tax expenses/(benefit) cannot be reliably predicted from year to year. Net expense ratios represent the percentages paid by investors and reflect a 0.00% Deferred Income Tax Expense which represents the performance impact of accrued deferred tax liabilities across the Fund, not individual share classes, for the fiscal year ended November 30, 2018 (the Fund did not have a current tax expense or benefit due to a valuation allowance). Total annual Fund operating expenses before deferred taxes (after fee waivers/reimbursements) were 1.65% for Class A shares, 2.40% for Class C shares, 1.40% for Class I shares.*