MAINGATE MLP FUND



MLP

UPDATE

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THIRD QUARTER 2011

The Hard Assets, Typically Generated Stable and Predictable Cash Flow[1], and the Potential for High Current Returns Provided by MLPs Might Well Make Them the Long-Term Antidote for Most of What Ails Investors

Below are our opening remarks at the Chickasaw Capital Management MLP Conference, delivered on October 5, 2011. They include a summary of our thoughts on the MLP universe (represented by the Alerian MLP Index[2]–AMZ) and the reasons for our thoughts that MLPs, particularly midstream MLPs, might potentially be one of the best asset classes to invest in over the balance of this decade. We start out by quoting German Chancellor Angela Merkel saying, "There is no quick fix" to Europe's debt crisis and point to the many other significant challenges in the world before concluding that hard assets, typically generating stable and predictable cash flow[1] and the potential for high current returns provided by MLPs might well make them the long-term antidote for most of what ails us. We remind investors of the severe under performance of MLPs in the 1998–2000 time period when the technology boom and go-go era was in full bloom, and that this weakness, and continued good fundamental performance, set the stage for the out-performance of MLPs during the 2001 to 2003 period, more than offsetting the prior period's weaker performance. The conclusion and the message is an old one: slow and steady wins the race. Then we explain why a different type of "irrational exuberance" in the MLP space, when combined with the extreme world events, led to the severe under performance of MLPs in 2008. All this and more, leads to our conclusion that MLPs have the potential to be one of the best asset classes to own in the period ahead. Read on!

"The message here is an old one: slow and steady wins the race."

OUTLOOK FOR MLPs

Chickasaw Strives to Make Investment Decisions Based on Managing and Minimizing Risk for the Reward that We Evaluate in Each Name

All of you go to numerous conferences and read the material of countless strategists who claim to have conviction about the direction or lack of direction of economies in various parts of the world, about inflation or

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(2) The Alerian MLP Index – a capitalization-weighted index of the 50 most prominent energy Master Limited Partnerships.

FUND FACTS as of 09/30/11

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	3.83%	3.58%
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, 2012.*

Top 10 Holdings (as of 09/30/11)	% of Fund
Enterprise Products Partners, LP	8.16%
Copano Energy, LLC	7.87%
Williams Partners, LP	7.44%
Crosstex Energy, Inc.	7.19%
Plains All American Pipeline, LP	6.23%
El Paso Pipeline Partners, LP	6.13%
Energy Transfer Equity, LP	5.83%
Regency Energy Partners, LP	5.42%
Oiltanking Partners, LP	5.34%
Tesoro Logistics, LP	5.32%

Top Sectors (as of 09/30/11)	% of Fund
Natural Gas Gathering/Processing	35.19%
Natural Gas Pipeline & Storage	30.28%
Crude/Refined Prod. Pipeline & Storage	28.50%
Other	6.03%

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

Last Quarterly Distribution (10/31/11)	$0.1575

Performance: A Shares (as of 09/30/11)		
NAV per Share		$9.42
POP per Share		$9.99
Returns:	Without Load	With Load
1 Month	-2.08%	-7.74%
3 Month	-4.97%	-10.40%
6 Month	-4.78%	-10.23%
1 Year	na	na
5 Year	na	na
10 Year	na	na
Since Inception (02/17/11)	-4.31%	-9.81%

Performance: I Shares (as of 09/30/11)	
NAV per Share	$9.44
Returns:	
1 Month	-2.07%
3 Month	-4.87%
6 Month	-4.68%
1 Year	na
5 Year	na
10 Year	na
Since Inception (02/17/11)	-4.11%

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 with load reflects the Class A maximum sales charge of 5.75%. Performance data shown for the Class A Shares without load and 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.

disinflation, trends in interest rates and where the various equity and other markets may be heading. Yes, it is enough to make anyone's head spin. We at Chickasaw are not here to tell you that we have such conviction on macro issues. Yes, we have opinions on all these issues. However, we work at evaluating the many possible economic and market scenarios and make investment decisions based on managing and minimizing risk for the reward that we evaluate in each name, given the wide extremes in the economic backdrop. Suffice it to say that we live today in a much smaller, more interconnected and yes, riskier world than ever before. The real estate bubble in the U.S., only three years ago, was enough to take down the world's economies and capital markets because of all the derivative contracts that many had a piece of. Today we worry about the Sovereign debt issues in Europe and the possible impacts on U.S. capital markets.

German Chancellor Angela Merkel was recently quoted saying, "There is no quick fix" to Europe's debt crisis. When Europe's financial institutions own several hundred billion Euros of Sovereign debt, when they themselves need to refinance some $800 billion Euro of debt coming due by the end of 2012, when most of the southern European countries are struggling to meet their agreed deficit reduction targets, when growth was only .2% in Q2 in the euro zone (from Q1), and when Greeks and other citizens are rebelling against more austerity, it is easy to see why Merkel would say that "there is no quick fix". It appears to be only a question of <u>when</u> Greece defaults and how the euro zone deals with it. Can Greece be truly ring fenced and will Italy and Spain muddle through? The list of uncertainties is long. Perhaps the good news is that U.S. financial institutions and corporations have had a long time to prepare for what appears to be the inevitable.

Investors Should Seek Investments Which Can Achieve Superior Returns in a Weak Economic Environment

Now moving over to our side of the Atlantic... U.S. real GDP remains below the level that existed before the great recession. Second quarter GDP rose by a meager 1.3% and productivity actually fell in the first half of this year. All of the signs certainly point to a continued weak economic recovery, with continued high levels of unemployment. There are no particularly encouraging signs to point to in manufacturing, home building, construction, consumer confidence or consumer spending. One encouraging sign for the long-term is that individuals have become modest net savers over the past two years, as they work to reduce debt. After almost two decades of no net savings by individuals, this is a bit refreshing, although actually the opposite of what will boost the economy.

Despite Economic Weakness, There are Encouraging Signs

Perhaps the most encouraging sign to point to is that inflation does not appear to be taking hold at this point. We have written in our recent quarterly reports to investors that inflation can be years in the making before it explodes with its terrible consequences and that there were increasing signs of this risk. China has reported rising inflation rates and reported 6.2% inflation in August; some believe that this significantly understates the inflation rate in China. Brazil has raised its benchmark Selic rate to 12.5% as it fought inflation and full utilization of its resources over the past couple of years; they recently have reversed course. India has been experiencing rising inflation. Even the European Central Bank (ECB) has raised rates to fight inflation, notwithstanding the low rate of growth in the euro zone. Perhaps the various pre-emptive interest rate hikes may have been helpful in muting inflation. Perhaps it is the slower worldwide economic growth rates that are reducing the demand for commodities. However, the good news at least for now, with many commodity prices falling, is that inflation appears to not be a looming worldwide issue or one that will soon be an issue in the U.S. The Federal Reserve says that it can and will keep rates low for the next two years, largely because inflation appears likely to remain below 2% despite near 0% interest rates.

Investors Should be Seeking out Hard Asset Companies with the Potential for Stable and Predictable Cash Flow[1], Reasonable Growth and Attractive Current Return

So what should an investor be doing in this uncertain world? You've heard arguments as to why one should

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crawl into a cave with all his assets in cash or gold. However, that just isn't an option for most investors, and just when do you crawl out of that cave in a world that may well remain this uncertain for a very long time? Traditional investing has gotten a lot more perilous, as anyone who has tried to bottom tick financial stocks recently has quickly learned. Ten-year government bonds yield less than 2% and the 30-year bond barely cracks 3%. And what type of real return might that provide to buyers seeking this safety?

It seems to us that hard assets make a lot of sense in a world that at some point might see a resurgence of inflation. It also appears logical that investors should be seeking out potential stable and predictable cash flow[1] and attractive current return potential. The unusual combination of attractive attributes is, not coincidentally, the starting point in the MLP story which we will tell today. Some of you know the bottom line story of MLPs reasonably well; some of you don't. We will work today at educating all of you so that you will walk out of here today with the knowledge and confidence to make an intelligent investment decision in this space.

We believe that MLPs are an exceedingly attractive asset class because of their lower-than-market risk attributes, their high current yields and above average growth prospects at many of the names. We will spend a good part of today backing up this statement and demonstrating why it is so. As with most investment categories, it is a bit dangerous to generalize. We do not believe that all sub-sectors of MLPs or all MLPs in any sub-sector are attractive. Investment bankers are anxious to bring qualifying assets to market if investors are willing to buy them. Therefore, there are a number of companies in the MLP universe with lesser assets or less logical, in our view at least, business strategies. However, with some 75 companies and management teams in this growing space, there is a lot to choose from and we do believe that there exist many very attractive investment opportunities.

MLPs (as represent by The Alerian MLP Index[2]–AMZ) have outperformed the broader market indexes (S&P 500 Index[3]) and the bulk of asset classes over the past 25 years. They have done so fairly consistently, although with some notable one or two-year periods of underperformance and others of substantial out performance. The 1998 to 2000 period stands out in our mind as painful period when technology and other growth stocks were surging and IPOs were routinely up 30% in an hour or 100% in days. Fundamentals remained quite good at MLPs during this period, and yet these stable, predictable and, somewhat boring companies dramatically underperformed the go-go stocks. Many investors gave up on MLPs in that period, convinced that they could make substantially greater returns in growth stocks.

Most of you know the punch line of this story. When the tech boom burst and stocks fell sharply from 2001 to 2003, MLPs rose sharply in price, much more than making up for the previous underperformance of the several prior years. The fundamental story for MLPs had not changed. Only the greed and expectations of investors had changed. The message here is an old one: slow and steady winds the race.

Some of you may then ask why institutional and other professional money managers do not embrace the group? The answer has long been that this is a small capitalization group of mostly non-investment grade companies that have limited market liquidity. Also, because they are partnerships, they deliver K'1s instead of 1099's and they do generate a modest amount of Unincorporated Business Taxable Income (UBTI). It just seemed to be too much trouble to invest in such a small group of companies. However, after five years of strong outperformance from 2001 until 2005 (the Alerian MLP Index[2]–AMZ), a number of hedge funds and other institutions finally succumbed to the temptation of MLPs. During 2006 and 2007, there were some 52 equity private placements totaling almost $14 billion. There was also a record 32 IPOs during this feeding frenzy of 2006 and 2007. The trend of private placements continued in the first half of 2008 as aggressive and leveraged investing continued in this space.

Most of you know the punch line to this story as well. Lehman failed and the capital markets went into turmoil. The hedge funds and other leveraged investors wanted out. There were few buyers on the other side of the table and MLPs were crushed in the second half of 2008 worse than the broad equity markets. There was also one other complication that weighed on investor perception during that period: MLPs had become hooked on cheap bank

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(2) The Alerian MLP Index – a capitalization-weighted index of the 50 most prominent energy Master Limited Partnerships.
(3) The S&P 500 is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States.

credit lines and over 40% of total debt was borrowed on those lines which needed to be renewed over the subsequent two years or so. Yes, it was the perfect storm in late 2008, but also the perfect buying opportunity for those who stepped into the void after this collapse.

There are two other defining characteristics of MLP performance that I have not yet mentioned. These are beta[4] and price correlation. For almost all of the 25 year history of MLPs, until 2008, they have been low beta (or volatility) names, as one might expect for mostly utility like companies. During much of this history, betas were some 35% of those of the broader market. Now, it is true that many of the IPOs of 2006 and 2007 were companies with more volatile cash flow[1] than existing MLPs. However, betas shot up with balance sheet uncertainties of late 2008 and have remained essentially at market levels. Separately, MLPs have historically had a low price correlation to other market indexes. For some periods, the group has been negatively correlated to the equity markets. You guessed it on this one as well: even as MLPs have outperformed the equity markets over the past 2.75 years, their price movements have correlated with those of the broader equity markets.

Many MLPs, Particularly in the Midstream Space, Have Created Substantial Competitive Advantages in Their Roles as Third-Party Gatherers, Processors, Fractionators and Transporters of Energy Products

So, what is the appeal of MLPs today? We believe the group as a whole provides excellent visibility to potential stable and predictable cash flow[1] from existing assets. It is critical to note that in the early days most MLPs had few competitive advantages besides their tax advantages and resultant lower cost of capital. However, many of the companies, particularly in the midstream space, have created substantial competitive advantages in their roles as third party gatherers, processors, fractionators and transporters of energy products. MLPs dominate the emerging shale plays in both their ownership of assets and the long-term dedication of acreage to their facilities. Clearly, there is excellent visibility to significant continued growth as these plays grow to offset production decline rates in other fields and as energy production likely grows in the U.S.

Consultant Bentek estimates that there will be some 7 Bcf/d of increased natural gas demand over the next 3 to 5 years as a result of fuel switching from coal to fuel oil. This alone translates into a greater than 10% increase in natural gas consumption. There is little question but that the industry can meet this increased demand. Natural gas liquids (NGLs) consumption appears likely to increase at an even faster rate given the high liquids content of shale gas and the substantial incremental demand for liquids by U.S. chemical companies. Enterprise Products Partners, LP (NYSE: EPD; $40.68) forecasts that industry demand for ethane by chemical companies will rise by 200,000 to 300,000 barrels/day by 2015 as chemical companies either convert naphtha based crackers to lower cost ethane and/or build new crackers. This translates into a 20% to 30% increase in ethane demand, again a figure that the industry appears positioned for and able to produce. The Interstate Natural Gas Association of America (INGAA) forecasts in their June 2011 report that more than $10 billion per year of new midstream investment will be required to move these new energy resources to market. Indications are that a large proportion of these investments have the potential to yield strong returns because of the competitive advantages that many MLPs in the midstream space possess.

The Balance Sheet Strength at Most MLPs has Improved Immensely in Recent Years and is Now Impressive by Many Measures

Equally important, or perhaps even more important, to the growth stories of midstream MLPs is the balance sheet strength of MLPs. I pointed out earlier that MLPs in 2008 had some 40% of total debt drawn on credit lines carrying low rates of interest tied to LIBOR. When the capital markets closed to most non-investment grade companies and questions were raised about bank covenants and the ability of certain MLPs to renew these lines of credit, unit prices were hammered. The good news is that with very few exceptions, MLPs made it through this period and learned an important lesson. MLPs have taken advantage of the previously wide-open high yield

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(4) Beta measures of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

market window to sell term debt. Currently some 86% of total debt is termed out, most of it being ten-year debt and some at 30 years. There are very few maturities over the next two or so years. Also, credit lines were renegotiated and most MLPs now use these lines as temporary rather than permanent sources of debt capital. Separately, some $35 billion of equity has been sold, according to UBS statistics, since the equity markets reopened in 2009. Some of this new equity has financed high returning growth projects; some has been utilized to strengthen balance sheets. Now, not only does the MLP universe have competitive assets, stable cash flow[1] and attractive growth projects, but the group also has strong balance sheets with permanent capital to remove any doubt about the industry's ability to survive and potentially prosper even in an uncertain world

I will close by thanking each of you for allocating your valuable time to attend our conference. We will do everything in our power to provide you with all the facts and insights we have so that you can make the best investment decision about investing in MLPs. Thank you.

David Fleischer, CFA

PRINCIPAL, CHICKASAW CAPITAL MANAGEMENT

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It is not possible to invest directly in an index

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.

To obtain performance data current to the most recent month-end please call 855.MLP.FUND (855.657.3863).

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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.

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