



# MLP Total Return Portfolios Strategy Brochure Q3 2019



# Table of Contents

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1.	Eagle Global Advisors	3-6
2.	Midstream Asset Class Basics	7-9
3.	Investment Opportunity	10-14
4.	Investment Approach	15-18
5.	MLP Total Return Portfolios Strategy	19-23
6.	Eagle Investment Edge	24-25
7.	Appendix	26-29

# Eagle Global Advisors

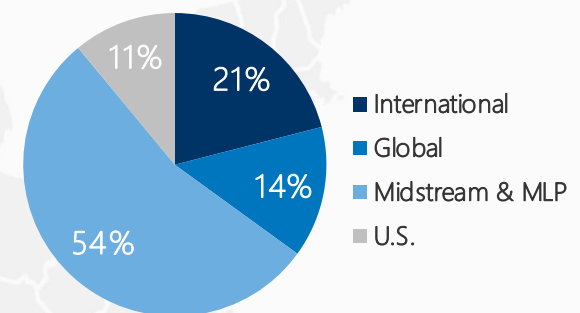
# Eagle Global Advisors



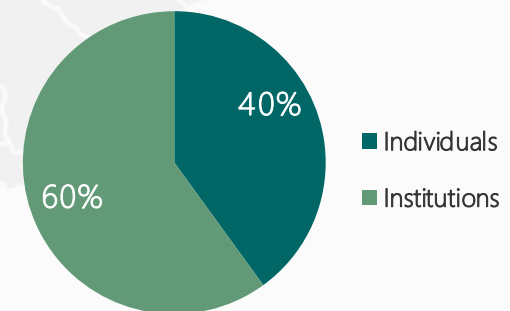
- ✓ Founded: 1996
- ✓ Location: Houston, TX
- ✓ Ownership: 100% Employee-owned
- ✓ Total Employees: 34

Total AUM: \$3.0 Billion\*

## Investment Strategy



## Client Type



# Attractive Organizational Characteristics

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- Professional continuity
- 34 employees including 15 investment professionals
- Focused on core competencies
- Has Conservatively managed for long-term success:
  - No debt
  - Always profitable
  - Have consistently reinvested in the business – even during downturns
- Dedicated MLP and Midstream investment programs launched 2003
- Firm MLP and Midstream Assets Under Management \$1.6 billion\*

# Investment Team with Extensive Experience

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## MLP and Midstream Investment Team

	<u>Years Experience</u>	<u>Degrees, Certifications</u>
David Chiaro	24	MBA
Malcom Day	26	MBA, CFA
Michael Cerasoli	19	MBA, CFA
Alex Meier	18	BA
Steve Sherowski	14	MBA
Will Shen	11	MBA
Kate Hall	27	BA, CIMA

Investment Research  
Security Selection  
Portfolio Construction

## MLP and Midstream Investment Committee

	<u>Years Experience</u>	<u>Degrees, Certifications</u>
David Chiaro	24	MBA
Malcom Day	26	MBA, CFA
Michael Cerasoli	19	MBA, CFA
Alex Meier	18	BA
Curt Pabst	37	BA
Kate Hall	27	BA, CIMA
Eddie Allen	26	Ph.D., CFA
Thomas Hunt	27	MBA, CFA, CPA
Steven Russo	31	MBA

The Investment Team is joined by the non-MLP and Midstream partners of the firm on the Investment Committee which meets monthly to oversee compliance with strategy guidelines

# Midstream Asset Class Basics

# The Energy Supply Chain

## Upstream

*Oil and natural gas production*



Drilling



Production



Offshore



## *Eagle Focus*

## Midstream

*Processes that create a marketable product*



Transportation  
& Storage



Pipeline



Gathering



Treating  
& Processing



## Downstream

*Product uses*



Power  
Generation



Commercial



Refining



Industrial



Transportation



Residential





# Midstream Investment Opportunity

# MLP and Midstream 2.0: A More Attractive Opportunity

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## Improving Fundamentals

Volumes for U.S. production of crude oil, natural gas, and natural gas liquids continue to rise as costs have declined from pre-OPEC output war and as crude supplies have rebalanced.

## Improved Financials

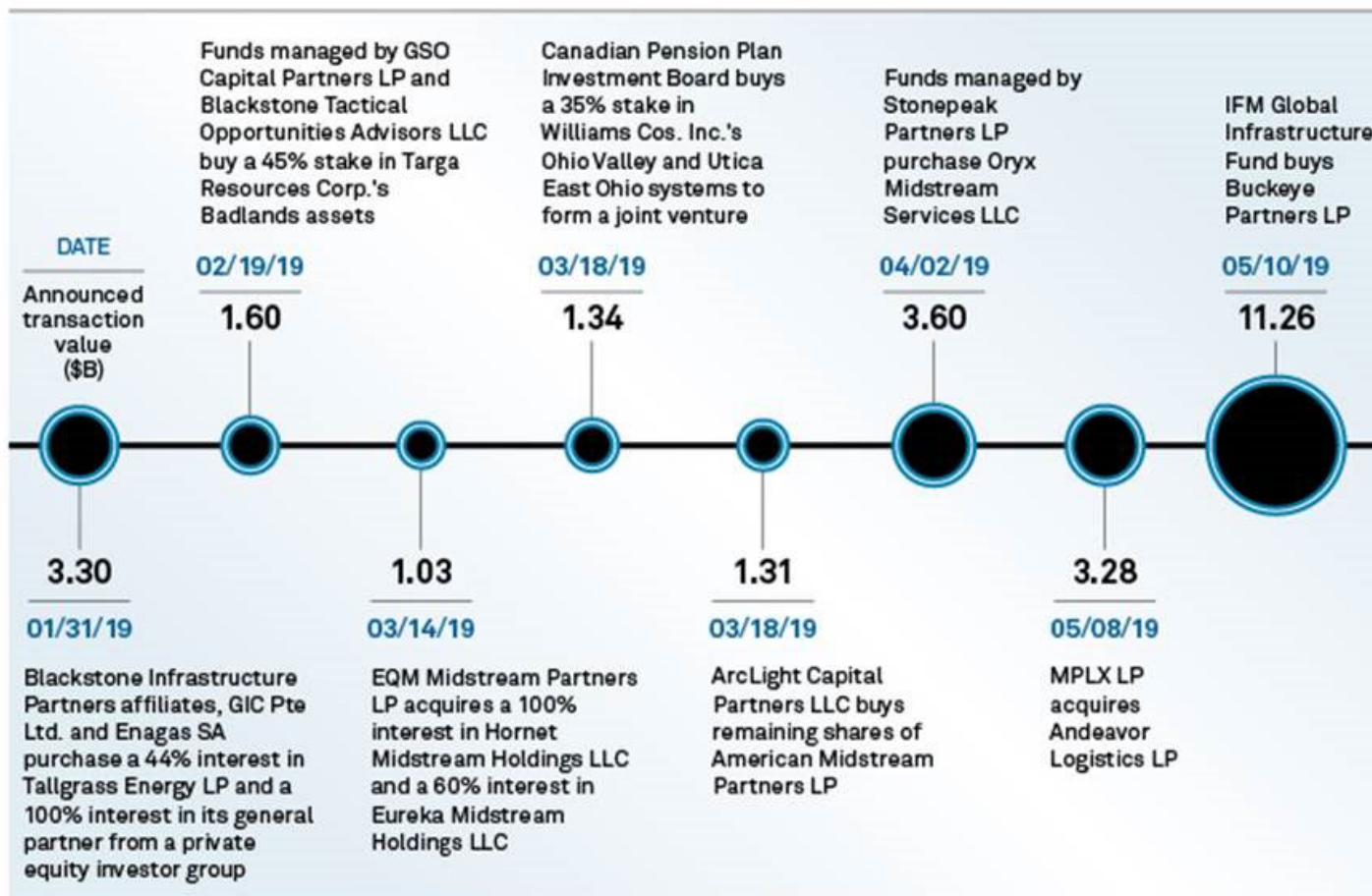
Since 2015, many MLP and Midstream companies have used EBITDA to decrease leverage, increase distribution coverage, and reduce reliance on external funding.

## Attractive Valuation

MLP and Midstream companies have underperformed most other assets classes since 2014, including other energy securities, even as crude oil prices rebounded. Many MLP and Midstream company valuations are attractive as measured by historical yield, EV/EBITDA, or P/DCF.

# Private Investors Fill The Void Left By Public Markets

## Select midstream M&A deals worth over \$1B announced in 2019



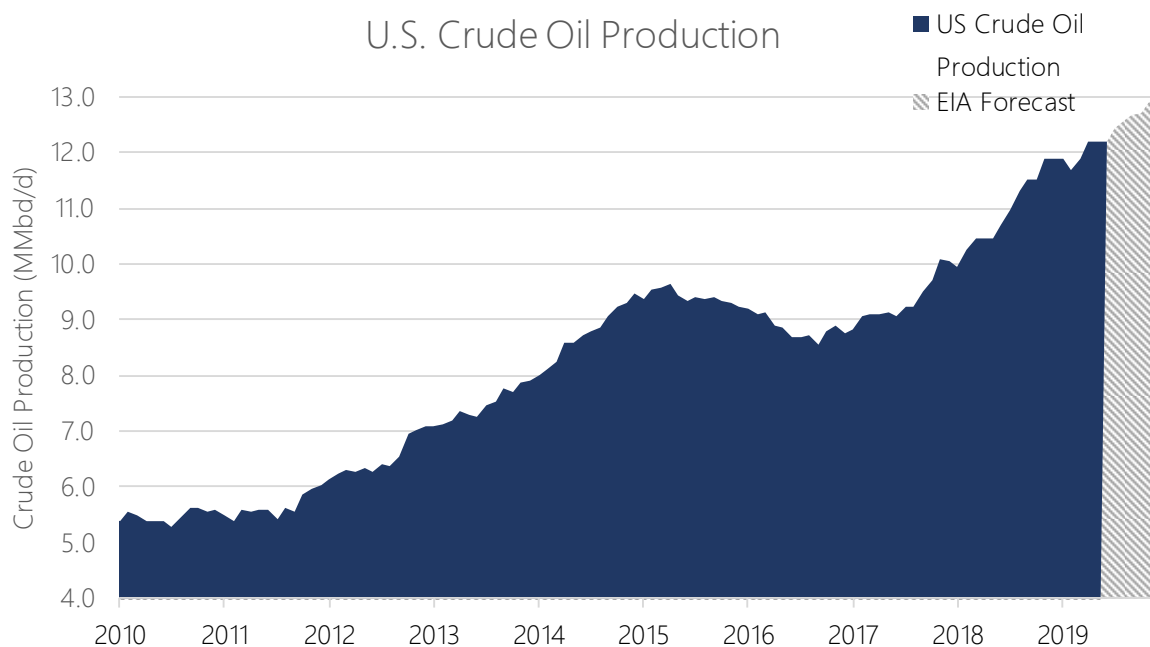
As of June 30, 2019.

Credit: CatWeeks

Source: S&P Global Market Intelligence

# Strong Underlying Fundamentals

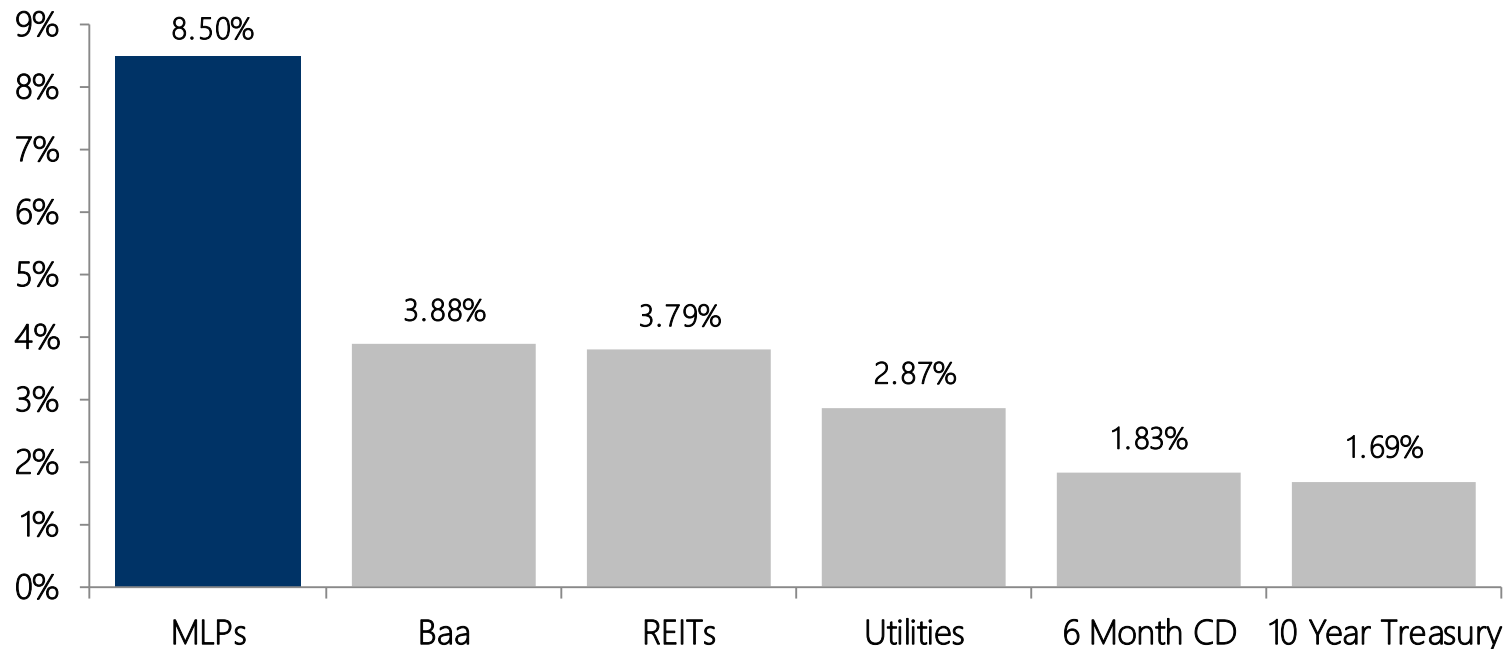
- Crude oil production continues to exceed previously forecasted levels.
- Latest EIA Average Crude Oil Production Forecast:
  - › 2018: 11 million b/d (the highest in U.S. history)
  - › 2019-2020: In excess of 13 million b/d (another record)





# High Income In A Low-Income World

*MLP Yield Much Higher Than Next Closest Asset Class*

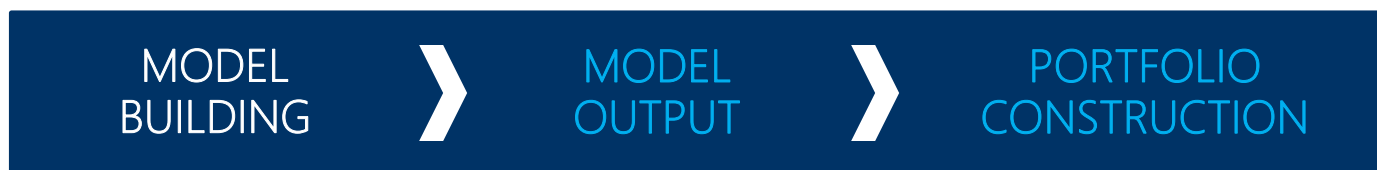


- In a low interest rate world (and potentially lower), MLPs currently provide an attractive source of income relative to other income producing investments.
- Distribution yields are possibly supported by improving coverage ratios and lower leverage. Today, Midstream coverage ratios are 1.53x relative to 1.21x in 2014. Since the consolidation of the GPs, leverage has been reduced as cash flows have been used to reinvest in the businesses or to improve balance sheets through deleveraging.

# Midstream Investment Approach

# A Rigorous Investment Process

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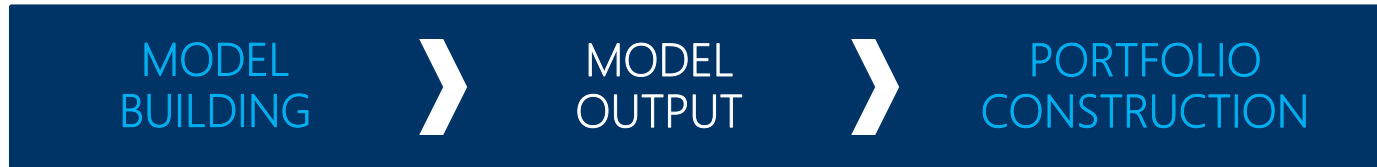


- Rigorous data gathering including multiple meetings per year with each management team in our universe, scouring public findings, attending industry conferences.
- Integrated cash flow models are constructed for roughly 80 of the 100 MLP, GP or C-Corps in our universe.
- Models integrate cash flow statement, income statement, and balance sheet.
- Each analyst is responsible for 15-20 company models.



# Models Generate Multi-Year Cash Flows

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- Models generate multi-year cash flow estimates
  - Cash available to be paid to unit holders; cash we expect to be paid to unit holders.
- Cash flow streams are discounted back to a present value, using a discount rate specific to the risks of each company's cash flows.
- PV of cash flows is compared to current market price to determine value.
- Stress test models with both upside and downside scenarios
  - Upside: More things go right than wrong
  - Downside: More things go wrong than right

# “Bottom Up” Portfolio Construction

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- Portfolios are constructed bottom-up utilizing securities with the best risk adjusted five year forward total return potential.
- Portfolios are constructed and managed for total return
  - Distributions are an important component of total return, but these are not “income” portfolios.
  - Weights to the benchmark are monitored, but not part of the decision process.
- Risk Management
  - Maximum 10% position size at purchase
  - Position size determined in part by volatility of cash flows
  - Liquidity discipline

# MLP Total Return Portfolios Strategy

# MLP Total Return Separate Accounts

As of 9/30/19

- Separate Account Structure
- Launched 2002
- 20-30 long positions
- Long only; no leverage or hedging
- Focus on stable, fee-based MLPs
- 20-25% annual turnover
- Multiple K-1s
- 1.25% annual management fee
- MLPs, GPs and Midstream Energy Infrastructure Companies

## Performance History: MLP Total Return

Since inception 2002

Gross and Net of fees

Alerian Total Return MLP Index

	Year		Alerian Index	Difference (Gross)
	Gross	Net		
2002	2.40	1.16	-3.36	5.76
2003	68.30	66.37	44.54	23.8
2004	24.61	23.15	16.67	7.94
2005	8.06	6.77	6.32	1.74
2006	31.14	29.60	26.07	5.07
2007	14.50	13.15	12.72	1.78
2008	-40.19	-40.93	-36.91	-3.28
2009	83.17	81.09	76.41	6.76
2010	38.99	37.37	35.85	3.14
2011	13.48	12.14	13.88	-0.40
2012	9.45	8.16	4.80	3.35
2013	37.83	36.22	27.58	8.64
2014	11.00	9.69	4.80	6.20
2015	-37.15	-37.93	-32.59	-4.56
2016	32.36	30.81	18.31	14.05
2017	-7.07	-8.19	-6.52	-0.55
2018	-12.85	-13.91	-12.42	-0.43
2019	9.30*	8.33*	11.08	-1.78*
Annualized Since Inception	11.96*	10.63*	8.58	3.38*

\*Preliminary

	MRQ*	YTD*	1 Year*	Annualized Returns			
				3 Years*	5 Years*	7 Years*	10 Years*
EGA MLP Total Return Port (Gross)	-6.6	9.3	-10.7	-2.7	-8.1	1.4	8.5
EGA MLP Total Return Port (Net)	-6.8	8.3	-11.7	-3.8	-9.2	0.1	7.2
Alerian MLP Index	-5.0	11.1	-8.1	-2.5	-8.7	-0.9	6.3

\*Preliminary

Refer to p. 28 for additional performance calculation information and GIPS performance disclosures.

# Portfolio Characteristics

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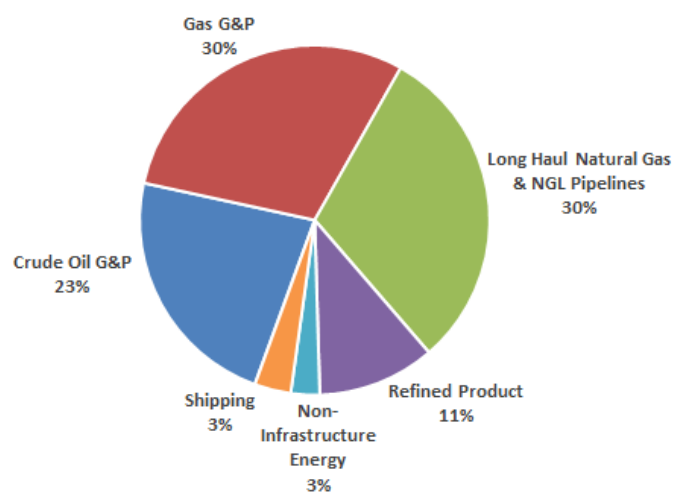
## MLP Total Return Portfolios Strategy as of 9/30/19

Midstream Energy Infrastructure Investments	19 positions
Current Distribution Yield (Including Cash)*	7.8%
Expected Annual Distribution Growth	4-6%

\*The yield, income and total return projections in this presentation are forward looking in nature and are not guaranteed. Yield is a function of stock price and cash distributions. Cash distributions include both return of capital (lowering your cost basis) and income. In many cases, return of capital can be a material portion of the cash distribution. Upon realization of an MLP investment, the portion on the cash distribution that is characterized as return of capital will be treated as income.

# Portfolio Composition

Portfolio (As of 9/30/2019)



Top 10 Holdings (As of 9/30/2019)

Security	% Weight
1 Enterprise Products Partners LP	12.6%
2 Energy Transfer LP	11.6%
3 MPLX LP	11.2%
4 Plains All American Pipeline LP	9.0%
5 Magellan Midstream Partners LP	7.2%
6 Williams Co.	6.0%
7 Western Midstream Partners	5.1%
8 Kinder Morgan Inc.	5.0%
9 Enbridge Inc.	4.7%
10 DCP Midstream LP	3.5%

EGA's top ten holdings represent our 10 largest holdings as of September 30, 2019. This is not a recommendation to buy or sell any security. There can be no assurance that the portfolio will continue to hold the same position in companies described herein, and the portfolio may change any portfolio position at any time.

# MLP Total Return Portfolios – Terms and Fees

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- Separately managed account program
- Minimum initial investment \$5 million
- Annual Management fee 1.25%

Separately managed MLP portfolios do NOT engage in short selling, participate in private placements, private issue of public equities (PIPEs), or initial public offerings (IPOs).

Fees are payable in arrears on the last day of each quarter. Fees are prorated for time periods of less than one quarter.

# Eagle Investment Edge





*Right Asset Class – Right Manager*

- Eagle has a consistent, successful approach to MLP and Midstream investing.
- Eagle is independent, employee owned and can make long-term decisions to the benefit of investors.
- Eagle is sized to continue to deliver investment results.
- Eagle is located in the heart of the MLP and Midstream Energy communities.

# Appendix

# EGA MLP Total Return Portfolios Composite

## EGA MLP Total Return Portfolios Composite January 1, 2002 through June 30, 2019

	Q2 19	Q1 19	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
EGA MLP Total Return Portfolios - Total Return (%) Gross	(1.62)	18.89	(12.86)	(7.08)	32.35	(37.14)	11.00	37.83	9.46	13.49	38.98	83.17	(40.19)	14.50	31.13	8.07	24.60	68.30	2.40
Alerian MLP Index - Benchmark Total Return (%)*	0.12	16.82	(17.30)	(6.52)	18.31	(32.59)	4.80	27.58	4.80	13.88	35.85	76.41	(36.93)	12.74	26.06	6.32	16.67	44.54	(3.37)
Composite 3 Year Std. Dev.	17.44	19.57	19.87	21.83	22.87	19.87	13.50	12.07	11.82	14.52	21.77	21.72	17.89	10.46	12.29	13.68	N/A	N/A	N/A
Benchmark 3 Year Std. Dev.	16.73	18.04	18.36	19.33	20.23	18.76	13.73	13.62	13.56	17.43	23.69	23.75	18.91	11.54	10.92	11.11	N/A	N/A	N/A
Number of Portfolios	25	26	27	32	34	35	34	39	19	9	7	6	6	<5	<5	<5	<5	<5	<5
Composite Dispersion (%)	0.11	0.17	0.29	1.31	2.41	0.35	0.32	0.75	0.80	0.39	0.85	2.44	0.31	N/A	N/A	N/A	N/A	N/A	N/A
Composite Assets at End of Period (US\$ 000)	492,536	521,225	481,065	646,250	619,570	562,450	800,494	811,877	628,858	209,924	180,906	83,248	35,156	58,977	6,535	9,273	2,574	2,142	270
% Non Fee Paying Accounts in the Composite	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	30.19%	18.28%	100%	100%	100%
Total MLP Strategy Assets at End of Period (US\$ 000)	1,777,028	1,874,389	1,690,132	2,461,286	2,937,868	2,181,760	3,203,899	2,503,008	1,399,752	975,824	886,079	577,771	292,789	394,975	210,837	106,343	51,100	27,900	270
Composite Assets as Percentage of Firm Assets	17.5	18.0	18.3	18.1	15.7	17.1	19.0	23.1	27.9	10.0	7.2	3.6	2.1	2.4	0.4	0.8	0.3	0.4	0.1
Total Firm Assets (US\$ 000)	2,820,293	2,902,642	2,632,277	3,561,407	3,946,902	3,281,294	4,208,672	3,514,431	2,255,886	2,088,976	2,527,423	2,295,834	1,677,203	2,505,557	1,711,542	1,121,554	891,522	544,210	410,845

\* Benchmark: Alerian MLP Index.

Refer to p. 28 for additional performance calculation information and GIPS performance disclosures.

# Composite Disclosures

**EGA MLP Total Return Portfolios Composite** - The EGA MLP Total Return Portfolios Composite consists of separate account portfolios invested in master limited partnership (MLP) units, general partners (GPs) and midstream energy infrastructure companies. WRAP fee accounts are excluded from this composite.

- Eagle Global Advisors, LLC is an independent investment advisor, registered with the SEC, actively managing individual investment portfolios containing domestic equity, international equity, master limited partnerships, and domestic fixed income securities, (either directly or through a sub-advisory relationship), for mutual funds, high net worth individuals, retirement plans for corporations and unions, financial institutions, trusts, endowments and foundations. SEC registration does not imply a certain level of skill or training.
- Eagle Global Advisors, LLC claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS standards. Eagle Global Advisors, LLC has been independently verified for the periods 1/1/1997 to 12/31/2018 by Dabney Investment Consulting Associates, Inc. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Annual returns are reported for all full years and interim quarterly returns. Returns of portfolios and composites for periods of greater than 1 year are annualized. Only direct trading expenses are deducted when presenting gross of fee returns. In addition to management fees, actual client returns will be reduced by any other expenses related to the management of an account such as brokerage charges, trustee fees or custodian fees. The currency used to express performance is the U.S. dollar. Returns are calculated net of both non-reclaimable and reclaimable foreign withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes are not accrued, but are cash basis as received. Eagle uses calendar month-end portfolio valuations or valuations on the last business day of the month. Eagle uses the asset-weighted standard deviation as the measure of composite dispersion of the individual component portfolio gross full period returns around the aggregate composite mean gross return. If the composite contains 5 portfolios or less ( $\leq 5$ ) for the full period, a measure of dispersion is shown as not meaningful (N/A) and the number of portfolios is not reported. Past performance cannot guarantee comparable future results. All investments involve risk including the loss of principal. This presentation is presented in a private and confidential nature, and is intended for clients who are financially sophisticated. The performance results of this composite have been linked to that of the investment team's prior firm, Partners Investment Management & Research, LLC (PIMR), in accordance with GIPS2010 Standard 5.A.8. The investment team of PIMR was hired into Eagle in February 2003.
- The composite start date is January 1, 2002 and was created in 2010. The composite consists of those MLP separate account portfolios where the firm has full investment discretion, the client pays a fee, the portfolio contains over \$250,000 in MLP units, and the portfolio properly represented the intended strategy at the end of the calendar quarter. Accounts meeting the composite definition are included in the composite. Any account not meeting the composite definition is excluded from the composite. Therefore, all accounts may not be included in a composite. As of January 1, 2005 the minimum asset level is \$1,000,000. All performance returns assume the reinvestment of dividends, interest, and capital gains.
- The benchmark is the Alerian MLP Index, a composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology. The index is disseminated by the New York Stock Exchange real-time on a price return basis (NYSE: AMZ). The corresponding total return index is calculated and disseminated daily through ticker AMZX. See [www.alerian.com/insight](http://www.alerian.com/insight) for more information regarding the Alerian MLP Index. The indices shown are for informational purposes only and are not reflective of any investment. As it is not possible to invest in the indices, the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Indices do not include fees or operating expenses and are not available for actual investment. Indices presented are representative of broad based asset classes. They are unmanaged and shown for illustrative purposes only. The volatility of the indices is likely materially different than the strategy depicted. Eagle Global's MLP strategies include buying and selling various MLP related assets. Such assets can and do include actual MLPs, general partners, C-corps that own MLP assets, and shipping companies. Holdings will vary from period to period and non-MLP assets can have had a material impact on the performance.
- The indices shown are for informational purposes only and are not reflective of any investment. As it is not possible to invest in the indices, the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Indices do not include fees or operating expenses and are not available for actual investment. Indices presented are representative of various broad based asset classes. They are unmanaged and shown for illustrative purposes only. The volatility of the indices is likely materially different than the strategy depicted. Eagle Global's MLP strategies include buying and selling various MLP related assets. Such assets can and do include actual MLPs, general partners, C-corps that own MLP assets, and shipping companies. Holdings will vary from period to period and non-MLP assets can have a material impact on the performance.
- The Eagle list of composite descriptions is available upon request. Eagle policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. Eagle believes that all significant events that would help a prospective client interpret the compliant presentation are disclosed in the compliant presentation and in the firm's SEC Form ADV Brochure 2A.

## Master Limited Partnerships Fee Schedule

### SEPARATE ACCOUNTS (minimum investment: \$5,000,000)

Account Size	All Assets
Annual Fee	1.25%

## Representative Example of Compounded Effect of Investment Advisory Fee

A maximum 1.25% management fee deducted from a portfolio quarterly (0.313%/quarter) would result in the following cumulative compound reduction of the portfolio time-weighted rate of return.	Years	Cumulative Fee	Years	Cumulative Fee
	1	1.256%	6	7.776%
	2	2.528%	7	9.129%
	3	3.815%	8	10.500%
	4	5.119%	9	11.888%
	5	6.439%	10	13.293%

# Glossary

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## Index Definitions and Associated Risks:

MLPs are represented by the total return of the **Alerian MLP Index**, a composite index of the 50 most prominent energy master limited partnerships. Investments in MLPs involve risks different from those of investing in common stock, including limited control and voting rights, conflicts of interest, cash flow and dilution risks. MLPs are generally considered interest-rate sensitive investments and during periods of interest rate volatility, these investments may not provide attractive returns.

REITs are represented by the **FTSE NAREIT Equity REIT Total Return Index** designed to track performance of publically traded Real Estate Investment Trusts. Real estate values can be affected by a variety of factors, including supply and demand for properties, the economic health of the country or different regions and the strength of specific industries that rent properties.

Utilities are represented by the **Dow Jones Utilities Index** designed to track the performance of the Utilities sector. Investments focused in the energy sector are subject to risks specific to the industry they serve, including, but not limited to: price fluctuations, reduced volumes, depletion, rising interest rates and extreme weather conditions.

The **S&P 500 Index** is a capitalization-weighted index that measures the performance of 500 large-capitalization domestic stocks representing all major industries. Overall securities market risks may affect the value of individual instruments in which the Fund invests. Past performance is not indicative of future results.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. Overall securities market risks may affect the value of individual instruments in which the Fund invests. Past performance is not indicative of future results.

The **NASDAQ Composite Index** measures over 3,000 stocks listed on the NASDAQ Stock Market Exchange. Overall securities market risks may affect the value of individual instruments in which the Fund invests. Past performance is not indicative of future results.

The **Dow Jones Industrial Average** is a price-weighted index comprised of 30 leading companies indicating the general state of the stock market. Overall securities market risks may affect the value of individual instruments in which the Fund invests. Past performance is not indicative of future results.

Fixed Income is represented by the **Barclays Aggregate Bond Index**. An investor cannot invest directly in an index. The value of an investment in fixed income securities will fluctuate with changes in the interest rates, which is typically an inverse relationship.

Baa is represented by the **Barclays Baa Index**, which tracks the Baa-rated segment of the US corporate bond market. The value of an investment in fixed income securities will fluctuate with changes in the interest rates, which is typically an inverse relationship.

Municipal bonds are represented by the **Barclays U.S. Municipal Index**, which covers the USD-denominated tax-exempt bond market. If the issuer is unable to meet its financial obligations, it may fail to make scheduled interest payments and/or be able to replay the principal upon maturity. If interest rates in the marketplace rise, the municipal bond may pay a lower yield relative to newly issued bonds. The value of an investment in fixed income securities will fluctuate with changes in the interest rates, which is typically an inverse relationship.

**10 Year Treasury** refers to the US Government 10-year Treasury Bond. There is a risk that the US government may not be able to repay its short-or long-term debts in full or on time.