

Overview

Investors who own MLP-dedicated index exchange traded products are facing a critical problem and they may not even know it. In this paper, we'll define the problem, explain its gravity, and provide insight into what we believe is a relevant and timely solution for the current realities of midstream/energy infrastructure investing.

The Problem

Since 2014, the number of midstream companies structured as Master Limited Partnerships (MLPs) has slowly and steadily decreased. Midstream companies structured as C-Corporations (C-Corps) now account for nearly 40% of the market capitalization of the investible midstream universe.

Why is this a problem? Because of the shift toward C-Corps, index-based products dedicated solely to MLPs and Up-C¹ partnerships (e.g., AMJ, MLPI, AMLP, MLPA) are disadvantaged in their ability to track broad midstream performance, leaving investors in MLP-dedicated products with a higher concentration in fewer names and, we believe, inferior growth prospects. Simply put, investment vehicles that do not include C-Corps no longer accurately represent the companies which comprise energy infrastructure.

The Solution

BP Capital Fund Advisors' TriLine Index Solutions, LLC (TriLine) in collaboration with the New York Stock Exchange (NYSE), developed a proprietary index solution to address the problem. The NYSE® Pickens Core Midstream™ Index (ticker: **NYPYPE**) is designed to represent the pure fundamentals of U.S. energy midstream, regardless of company legal structure. The NYSE® Pickens Core Midstream™ Index is a modified free-float market capitalization weighted Index designed to objectively identify and select common stocks and MLPs which best represent the pure U.S. midstream energy space.

As midstream companies continue to move away from the MLP structure, we believe many existing indexes and investment products have become obsolete. Notably, NYPYPE is agnostic of entity **structure** and therefore includes all relevant members of the set of companies.

TriLine licenses its indexes to third parties for the creation of investment funds or other vehicles, such as exchange-traded funds (ETFs) and exchange-traded notes (ETNs). UBS licensed NYPYPE and created the UBS E-TRACS NYSE® Pickens Core Midstream Index Exchange Traded Note (ticker: PYPE). Please see "Related Products" below for more information.

We define **Core Midstream** as energy infrastructure assets that are central to gathering and processing, storage, transportation, fractionation, and refining logistics, as well as assets that facilitate the export of hydrocarbons (oil, natural gas, natural gas liquids). We've coined and use the term Core Midstream because:

- Energy infrastructure is core to the U.S. economy
- The companies that own and operate select energy infrastructure assets represent the core of midstream and can be structured as C-Corps or MLPs, not just MLPs. For a further description of C-Corps and MLPs, please see the Summary below

¹ Umbrella Partnership-C-Corporations (Up-Cs) are an ownership structure in which investors own stock in a publicly-traded corporation that owns interests in a partnership. Up-Cs generate a 1099 tax form instead of a K-1.

- It represents the essential parts of the energy circulatory system which continues to attract investors because of its utility-like, recurring cash flows

Examining the Problem

By the Numbers: The Shrinking Midstream Universe

Driven by sector consolidation, MLP-to-C-Corp conversions, and private equity acquisitions, the number of midstream companies structured as MLPs has been shrinking. Since August 2014 when Kinder Morgan Inc. (KMI) announced the acquisition of El Paso Pipeline Partners (EPB), Kinder Morgan Energy Partners LP (KMP), and Kinder Morgan Management LLC (KMR), there have been over \$258 billion of midstream simplification transactions by market cap. Simplification transactions involve consolidating two or more entities (typically one public general partner (GP) and one public limited partner (LP)) into one publicly-traded entity in order to lower costs of capital, eliminate incentive distribution rights (IDRs), reduce corporate complexity, and/or to improve alignment with investors. Of this \$258B, approximately \$169 billion (66%) were transactions in which C-Corps acquired MLPs.

Exhibit 1: Midstream Simplification Transactions Since 2014

Notable Midstream Simplification Transactions Since 2014								
Announcement Date	Acquirer			Acquiree				Market Cap (\$B)**
	Name	Ticker	Structure	Name	Ticker	Structure	Status	
Aug-14	Kinder Morgan Inc.	KMI	C-Corp	El Paso Pipeline Partners LP	EPB	MLP	Closed	\$9.5
Aug-14	Kinder Morgan Inc.	KMI	C-Corp	Kinder Morgan Energy Partners LP	KMP	MLP	Closed	\$43.4
Aug-14	Kinder Morgan Inc.	KMI	C-Corp	Kinder Morgan Management LLC	KMR	C-Corp	Closed	\$12.6
May-15	Crestwood Equity Partners LP	CEQP	MLP	Crestwood Midstream Partners LP	CMLP	MLP	Closed	\$1.2
Nov-15	Targa Resources Corp.	TRGP	C-Corp	Targa Resources Partners LP	NGLS	MLP	Closed	\$3.1
May-16	SemGroup Corporation	SEMG	C-Corp	Rose Rock Midstream LP	RRMS	MLP	Closed	\$1.0
Nov-16	TransCanada Corp	TRP	C-Corp	Columbia Pipeline Partners LP	CPPL	MLP	Closed	\$1.6
Nov-16	Sunoco Logistics Partners LP*	SXL	MLP	Energy Transfer Partners LP	ETP	MLP	Closed	\$23.1
Jan-17	Enbridge Inc.	ENB	C-Corp	Midcoast Energy Partners	MEP	MLP	Closed	\$0.3
Feb-17	ONEOK Inc.	OKE	C-Corp	ONEOK Partners, LP	OKS	MLP	Closed	\$15.4
Jan-18	Archrock Inc.	AROC	C-Corp	Archrock Partners LP	APLP	MLP	Closed	\$0.9
Apr-18	EQT Midstream Partners LP	EQM	MLP	Rice Midstream Partners LP	RMP	MLP	Closed	\$1.9
Feb-18	NuStar Energy LP	NS	MLP	NuStar GP Holdings	NSH	MLP	Closed	\$0.5
Mar-18	Tallgrass Energy GP	TEGP	C-Corp	Tallgrass Energy Partners LP	TEP	MLP	Closed	\$2.8
May-18	Williams Companies Inc.	WMB	C-Corp	Williams Partners LP	WPZ	MLP	Closed	\$39.6
May-18	Cheniere Energy Inc.	LNG	C-Corp	Cheniere Energy Partners LP Holdings LLC	CQH	C-Corp	Closed	\$7.3
May-18	Enbridge Inc.	ENB	C-Corp	Spectra Energy Partners LP	SEP	MLP	Closed	\$17.5
May-18	Enbridge Inc.	ENB	C-Corp	Enbridge Energy Partners LP	EEP	MLP	Closed	\$5.0
May-18	Enbridge Inc.	ENB	C-Corp	Enbridge Energy Management LLC	EEQ	C-Corp	Closed	\$1.1
Jun-18	Loews Corporations	L	C-Corp	Boardwalk Pipeline Partners, LP	BWP	MLP	Closed	\$3.0
Sep-18	Dominion Energy Inc.	D	C-Corp	Dominion Energy Midstream Partners LP	DM	MLP	Closed	\$2.3
Aug-18	Energy Transfer Equity LP	ETE	MLP	Energy Transfer Partners LP	ETP	MLP	Closed	\$26.0
Oct-18	Antero Midstream GP	AMGP	C-Corp	Antero Midstream Partners LP	AM	MLP	Closed	\$2.1
Oct-18	Valero Energy Corporation	VLO	C-Corp	Valero Energy Partners LP	VLP	MLP	Closed	\$2.9
Oct-18	EnLink Midstream LLC	ENLK	C-Corp	EnLink Midstream Partners LP	ENLK	MLP	Closed	\$6.6
Nov-18	Western Gas Equity Partners LP**	WGP	MLP	Western Gas Partners LP	WES	MLP	Closed	\$6.1
Nov-18	Equitrans Midstream Corp	ETRN	C-Corp	EQGP Holdings LP	EQGP	MLP	Closed	\$6.3
Jan-19	CVR Energy, Inc.	CVI	C-Corp	CVR Refining LP	CVRR	MLP	Closed	\$2.9
Apr-19	UGI Corporation	UGI	C-Corp	Amerigas Partners, L.P.	APU	MLP	Closed	\$2.9
May-19	MPLX LP	MPLX	MLP	Andeavor Logistics LP	ANDX	MLP	Closed	\$8.9
Sum:								\$258

*Sunoco Logistics Partners, L.P. (SXL) then changed name and ticker to Energy Transfer Partners, L.P. (ETP)

**Western Gas Equity Partners LP (WGP) then changed name and ticker to Western Midstream Partners, LP (WES)

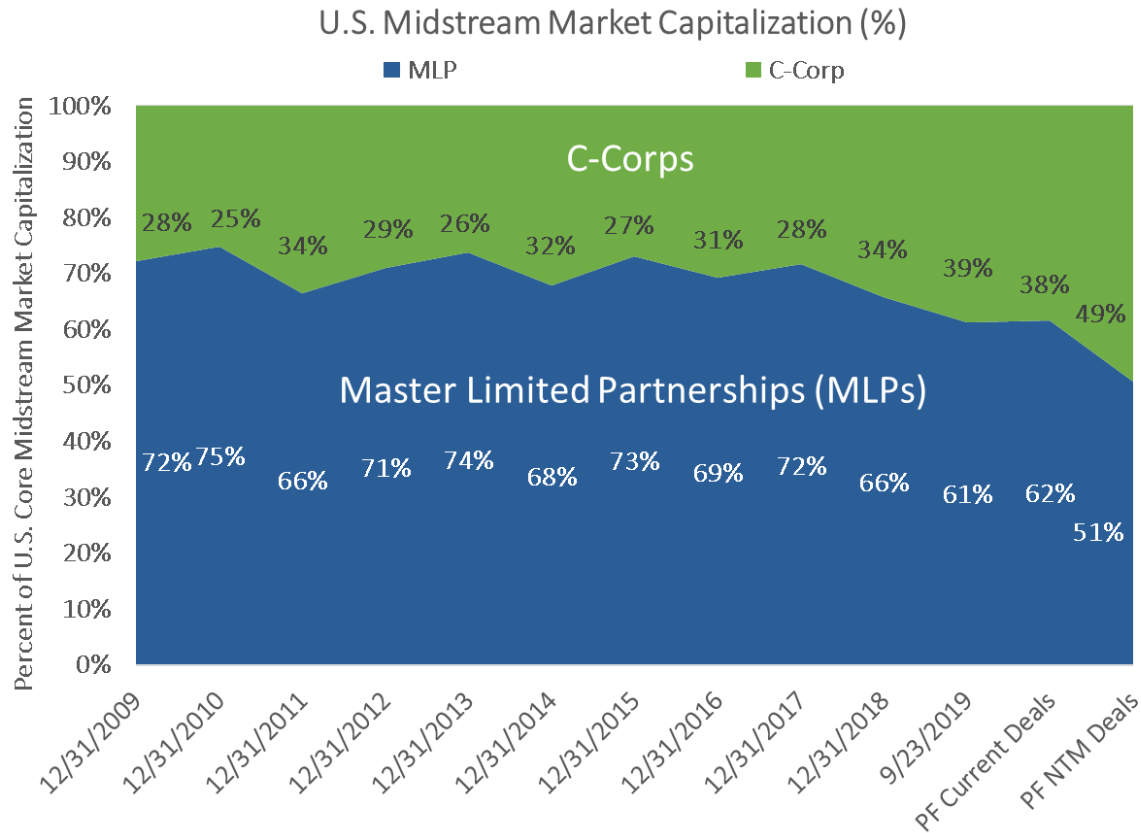
***Market cap as of transaction close or most recent data for pending transactions

Source: Bloomberg and company reports. Data as of 9/23/2019

The U.S. Core Midstream energy market capitalization (see chart below) has shifted away from a predominantly MLP structure to a roughly 60% MLP/40% C-Corp split, currently. We believe Core Midstream will move closer to a 50/50 MLP/C-Corp split in the near-term, pending the acquisitions of Buckeye Partners (BPL), Tallgrass Energy (TGE), and SemGroup Corp (SEMG). Importantly, more simplification transactions are likely to occur, in our opinion. In Exhibit 2 below, see our “pro forma current deals” which includes transactions that have been announced and are pending, while our “pro forma next twelve months (PF NTM)” figures include the simplification transactions that we believe are

likely to be announced over the next year. This split will have important implications for midstream investors currently invested in passive MLP-dedicated products.

Exhibit 2: Midstream Universe: MLPs vs C-Corps



Source: Bloomberg and company reports. Data as of 9/23/2019

What Does the Shift Away from MLPs Mean for Midstream Energy Investors?

As seen in Exhibit 2, midstream companies have never been structured exclusively as MLPs. MLP-dedicated indices/products by definition exclude what we call Core Midstream companies based solely on company legal structure. When the Core Midstream split was 75% MLPs/25% C-Corps, the effect of excluding C-corps was less impactful, albeit still philosophically and fundamentally incorrect. As we approach a 50/50 split in terms of market capitalization and cash flows, MLP-only products make little sense for midstream investors, as it omits roughly half of the Core Midstream universe.

Exhibit 3: MLP-dedicated Exchange Traded Products

MLP Exchange Traded Products	Ticker	Underlying Index	Assets (\$MM)	Weight of Holdings	
				% MLPs	% C-Corp*
Alerian MLP ETF	AMLPE	AMZI	\$8,440	92.4%	7.6%
Global X MLP ETF	MLPA	MLPAMID	\$973	100.0%	0.0%
JPMorgan Alerian MLP Index ETN	AMJ	AMZ	\$2,860	92.5%	7.5%
UBS ETRACS Alerian MLP Infrastructure Index ETN	MLPI	AMZI	\$1,160	92.4%	7.6%

*C-Corp weightings include Up-C Partnerships like EnLink Midstream (ENLC), Rattler Midstream (RTL), and Tallgrass Energy (TGE)

Source: Bloomberg. Data as of 9/23/2019

Despite these facts, advisors who license/employ MLP-dedicated indices are consciously choosing not to adapt their respective products, and, in our opinion, are putting their investors at a considerable disadvantage. Products that track MLP-dedicated indices:

- Fail to represent the actual midstream company universe
- Choose a smaller investment universe, thus a higher concentration in fewer names
- Forego the benefits of owning some of the most prominent U.S. midstream companies by market cap, including Kinder Morgan (KMI), Williams (WMB), ONEOK (OKE), and Targa Resources (TRGP)
- May accept potentially lower dividend / distribution growth

Ultimately, by choosing not to adapt, we believe they may fail to deliver what is best for investors seeking midstream exposure.

A More Thoughtful Solution: NYSE Pickens Core Midstream Index

With this problem in mind, TriLine Index Solutions and NYSE built the NYSE® Pickens Core Midstream™ Index (NYPYPE). The Index is a modified free-float market capitalization-weighted index designed to objectively identify and select common stocks of corporations and units of MLPs which best represent U.S. midstream energy fundamentals, **agnostic of entity structure**. The methodology (click [here](#) to view) was designed to reflect midstream energy operating fundamentals, not a company's legal structure. The Index selects constituents that reflect what we define as Core Midstream energy exposure. The goal is to get as close as possible to the underlying assets and operating results and limit the potential effect of financial engineering via General Partners' (GP) Incentive Distribution Rights (IDRs). Companies included in the Core Midstream index are domiciled in the U.S.

How does NYPYPE Compare to the AMZI? A Closer Look.

We believe an approach to index construction that includes both C-Corps and MLPs can provide improved representation of midstream companies. To quantify the improvements, we took a closer look at companies that make up the Alerian Midstream Infrastructure Index (AMZI) vs. NYPYPE, aggregated the earnings before interest, tax, depreciation and amortization (EBITDA) generated by each index's constituents, and measured that against an estimate of total Core Midstream sector EBITDA. Note that EBITDA is a measure of a company's operating performance, often used to evaluate companies by showing earnings before the influence of accounting and financial deductions.

To set the context—the Core Midstream universe from which NYPYPE selects constituents consists of companies whose EBITDA and/or Operating Margin is derived 50% or greater from Core Midstream assets. As illustrated in the chart below, these criteria result in a Core Midstream subset of:

- 40 total companies
- Approximately split 60% MLPs vs 40% C-Corps
- Total group EBITDA generation expected to be \$70.7 billion in 2019, \$76.1 billion in 2020 (+8% y/y), and \$80.4B in 2021 (+6% y/y).

Exhibit 4: Core Midstream EBITDA by Structure

2019E EBITDA	\$MM	Percent
EBITDA of MLPs	\$43,210	61%
EBITDA of C-Corps	\$27,500	39%
Total Core Midstream EBITDA	\$70,710	100%

2020E EBITDA	\$MM	Percent
EBITDA of MLPs	\$45,961	60%
EBITDA of C-Corps	\$30,173	40%
Total Core Midstream EBITDA	\$76,133	100%

2021E EBITDA	\$MM	Percent
EBITDA of MLPs	\$48,332	60%
EBITDA of C-Corps	\$32,036	40%
Total Core Midstream EBITDA	\$80,367	100%

Source: Bloomberg. Wall Street consensus estimates as of 9/23/2019

By defining midstream more broadly, NYPYPE more accurately captures exposure to Core Midstream as measured by the percentage of total sector EBITDA generated by these companies.

To illustrate the significant differences between the AMZI and NYPYPE, we have included a recent constituent list of companies, their respective weightings, and the EBITDA contribution by company relative to what we have found as the more accurate definition of Core Midstream. See the comparisons below in Exhibit 5 and Exhibit 6.

Exhibit 5: AMZI Holdings

Ticker	Name	Weight	Structure	Street Consensus EBITDA		
				2019E	2020E	2021E
MPLX	MPLX LP	10.4%	MLP	\$4,347	\$5,490	\$5,640
EPD	ENTERPRISE PRODUCTS PARTNERS	9.8%	MLP	\$8,028	\$8,288	\$8,595
PAA	PLAINS ALL AMER PIPELINE LP	9.7%	MLP	\$2,980	\$2,763	\$2,967
MMP	MAGELLAN MIDSTREAM PARTNERS	9.6%	MLP	\$1,519	\$1,586	\$1,644
ET	ENERGY TRANSFER LP	9.5%	MLP	\$11,069	\$10,918	\$11,286
WES	WESTERN MIDSTREAM PARTNERS L	7.4%	MLP	\$1,716	\$1,887	\$2,041
PSXP	PHILLIPS 66 PARTNERS LP	4.6%	MLP	\$1,249	\$1,407	\$1,543
TGE	TALLGRASS ENERGY LP-CLASS A	4.4%	C-Corp	\$1,001	\$929	\$943
NS	NUSTAR ENERGY LP	4.0%	MLP	\$680	\$725	\$753
EQM	EQM MIDSTREAM PARTNERS LP	3.8%	MLP	\$1,340	\$1,522	\$1,821
SHLX	SHELL MIDSTREAM PARTNERS LP	3.6%	MLP	\$746	\$843	\$900
DCP	DCP MIDSTREAM LP	3.5%	MLP	\$1,189	\$1,286	\$1,359
GEL	GENESIS ENERGY L.P.	3.4%	MLP	\$679	\$732	\$776
ENLC	ENLINK MIDSTREAM LLC	3.1%	C-Corp	\$1,090	\$1,149	\$1,163
TCP	TC PIPELINES LP	3.1%	MLP	\$458	\$463	\$454
CEQP	CRESTWOOD EQUITY PARTNERS LP	2.7%	MLP	\$520	\$609	\$641
CQP	CHENIERE ENERGY PARTNERS LP	2.6%	MLP	\$2,530	\$2,804	\$2,842
NGL	NGL ENERGY PARTNERS LP	2.3%	MLP	\$443	\$569	\$661
ENBL	ENABLE MIDSTREAM PARTNERS LP	1.6%	MLP	\$1,150	\$1,144	\$1,169
NBLX	NOBLE MIDSTREAM PARTNERS LP	0.8%	MLP	\$248	\$345	\$396
Sum				\$42,981	\$45,458	\$47,591
Total Core Midstream EBITDA				\$70,710	\$76,133	\$80,367
Percent of Core Midstream EBITDA In Portfolio				61%	60%	59%

Source: Bloomberg. Data as of 9/23/2019

Exhibit 6: NYPYPE Holdings

Ticker	Name	Weight	Structure	Street Consensus EBITDA		
				2019E	2020E	2021E
EPD	ENTERPRISE PRODUCTS PARTNERS	7.6%	MLP	\$8,028	\$8,288	\$8,595
KMI	KINDER MORGAN INC	7.5%	C-Corp	\$7,627	\$7,836	\$7,923
OKE	ONEOK INC	7.4%	C-Corp	\$2,622	\$3,236	\$3,573
WMB	WILLIAMS COS INC	7.3%	C-Corp	\$4,979	\$5,260	\$5,517
ET	ENERGY TRANSFER LP	7.1%	MLP	\$11,069	\$10,918	\$11,286
MMP	MAGELLAN MIDSTREAM PARTNERS	6.8%	MLP	\$1,519	\$1,586	\$1,644
MPLX	MPLX LP	5.5%	MLP	\$4,347	\$5,490	\$5,640
PAA	PLAINS ALL AMER PIPELINE LP	4.7%	MLP	\$2,980	\$2,763	\$2,967
TRGP	TARGA RESOURCES CORP	4.6%	C-Corp	\$1,307	\$1,663	\$1,937
BPL	BUCKEYE PARTNERS LP	3.4%	MLP	\$890	\$952	\$1,000
WES	WESTERN MIDSTREAM PARTNERS L	3.0%	MLP	\$1,716	\$1,887	\$2,041
PSXP	PHILLIPS 66 PARTNERS LP	2.2%	MLP	\$1,249	\$1,407	\$1,543
TGE	TALLGRASS ENERGY LP-CLASS A	2.2%	C-Corp	\$1,001	\$929	\$943
SEMG	SEMGROUP CORP-CLASS A	2.2%	C-Corp	\$424	\$473	\$491
NS	NUSTAR ENERGY LP	2.2%	MLP	\$680	\$725	\$753
EQM	EQM MIDSTREAM PARTNERS LP	2.1%	MLP	\$1,340	\$1,522	\$1,821
DCP	DCP MIDSTREAM LP	2.1%	MLP	\$1,189	\$1,286	\$1,359
SHLX	SHELL MIDSTREAM PARTNERS LP	2.0%	MLP	\$746	\$843	\$900
GEL	GENESIS ENERGY L.P.	1.9%	MLP	\$679	\$732	\$776
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CQP	CHENIERE ENERGY PARTNERS LP	1.8%	MLP	\$2,530	\$2,804	\$2,842
AM	ANTERO MIDSTREAM CORP	1.8%	C-Corp	\$864	\$1,003	\$1,075
NGL	NGL ENERGY PARTNERS LP	1.7%	MLP	\$443	\$569	\$661
ENBL	ENABLE MIDSTREAM PARTNERS LP	1.5%	MLP	\$1,150	\$1,144	\$1,169
HEP	HOLLY ENERGY PARTNERS LP	1.5%	MLP	\$366	\$372	\$381
CNXM	CNX MIDSTREAM PARTNERS LP	1.5%	MLP	\$226	\$251	\$290
BPMP	BP MIDSTREAM PARTNERS LP	1.5%	MLP	\$200	\$250	\$321
NBLX	NOBLE MIDSTREAM PARTNERS LP	1.3%	MLP	\$248	\$345	\$396
Sum				\$62,486	\$66,754	\$70,099
Total Core Midstream EBITDA				\$70,710	\$76,133	\$80,367
Percent of Core Midstream EBITDA In Portfolio				88%	88%	87%

Source: Bloomberg. Data as of 9/23/2019

The AMZI has two differences that we believe are shortcomings:

- The AMZI has fewer companies in the index and a maximum weight of 10%, which suggests greater position concentration
- The companies in the AMZI capture only 59-61% of total Core Midstream EBITDA exposure vs. NYPYPE, which captures 87-88%.

Alternatively, we believe NYPYPE, by including both MLPs and C-Corps, more accurately represents Core Midstream. In addition, NYPYPE reaps the benefits that a C-Corp structure provides:

- C-Corps, in general, have better corporate governance practices and shareholder rights compared to MLPs
- C-Corps have access to larger pools of capital, broader index inclusion, and passive capital flows
- C-Corps are not typically controlled by a separate GP, nor do they have IDRs, a form of GP compensation
- C-Corps generate a 1099 tax form instead of a complex Schedule K-1 that MLPs generate

These benefits explain some of the recent outperformance of NYPYE vs MLP-dedicated indexes, as seen below.

It is worth mentioning that since NYPYE includes C-Corps, it therefore includes midstream assets that we believe are “crown jewels” and would be extremely difficult to replicate such as Williams’ Transcontinental (Transco) pipeline and Kinder Morgan’s Tennessee Gas Pipeline (TGP). To put those assets in context of Core Midstream, Transco and TGP generated approximately \$1.2 billion and \$1.1 billion of EBITDA, respectively, in 2018. The total Core Midstream 2019 EBITDA is expected to be approximately \$71 billion. (Source: Williams Co and Kinder Morgan filings)

Comparison: Current Yield, Distribution/Dividend Coverage and Debt Metrics

When considering an alternative index, we would expect a thorough examination of investment metrics and key characteristics. We believe that NYPYE compares favorably vs the AMZI (see Exhibit 7 below) and other MLP-dedicated indexes. Disclaimer: Investment metrics are not intended to predict the performance of any specific investment.

Exhibit 7: NYPYE vs AMZI stats

MLPs vs C-Corps:	NYPYE	AMZI	Variance
Weight of MLPs:	65.05%	92.42%	-27.37%
Weight of C-Corps:	34.95%	7.58%	27.37%

Distribution / Dividend Yields:	NYPYE	AMZI	Variance
Weighted Current Yield	7.89%	8.37%	-0.48%
Weighted Yield on 2020E	8.29%	8.68%	-0.40%
Weighted Yield on 2021E	8.65%	9.04%	-0.38%
Average Current Yield	8.89%	8.86%	0.03%
Average Yield on 2020E	9.27%	9.21%	0.06%
Average Yield on 2021E	9.63%	9.54%	0.09%

Distribution / Dividend Growth:	NYPYE	AMZI	Variance
Weighted 2019E-2020E Growth	5.83%	3.45%	2.38%
Weighted 2020E-2021E Growth	4.80%	4.20%	0.60%
Weighted 2019E-2021E Growth CAGR	5.13%	3.82%	1.31%
Average 2019E-2020E Growth	4.81%	3.52%	1.29%
Average 2020E-2021E Growth	4.14%	3.71%	0.43%
Average 2019E-2021E Growth CAGR	4.16%	3.61%	0.55%

Distribution / Dividend Coverage:	NYPYE	AMZI	Variance
Weighted 2020E Coverage	1.44x	1.42x	0.02x
Weighted 2021E Coverage	1.46x	1.44x	0.01x
Average 2020E Coverage	1.36x	1.39x	-0.02x
Average 2021E Coverage	1.39x	1.43x	-0.03x

Leverage:	NYPYE	AMZI	Variance
Weighted 2020E Leverage	4.36x	4.33x	0.04x
Weighted 2021E Leverage	4.24x	4.21x	0.03x
Average 2020E Leverage	4.35x	4.44x	-0.09x
Average 2021E Leverage	4.25x	4.31x	-0.05x

Credit Ratings:	NYPYE	AMZI	Variance
Weight by Rating			
A+	0.0%	0.0%	0.0%
A	0.0%	0.0%	0.0%
A-	0.0%	0.0%	0.0%
BBB+	14.4%	19.5%	-5.1%
BBB	31.8%	18.0%	13.8%
BBB-	21.9%	32.0%	-10.2%
BB+	7.7%	11.1%	-3.4%
BB	8.2%	2.6%	5.5%
BB-	5.5%	6.7%	-1.2%
B+	5.8%	5.7%	0.2%
B	0.0%	0.0%	0.0%
B-	0.0%	0.0%	0.0%
None	4.8%	4.4%	0.4%
Weight by Rating			
Investment Grade	68.1%	69.6%	-1.5%
High Yield	27.2%	26.0%	1.1%
Not Rated	4.8%	4.4%	0.4%

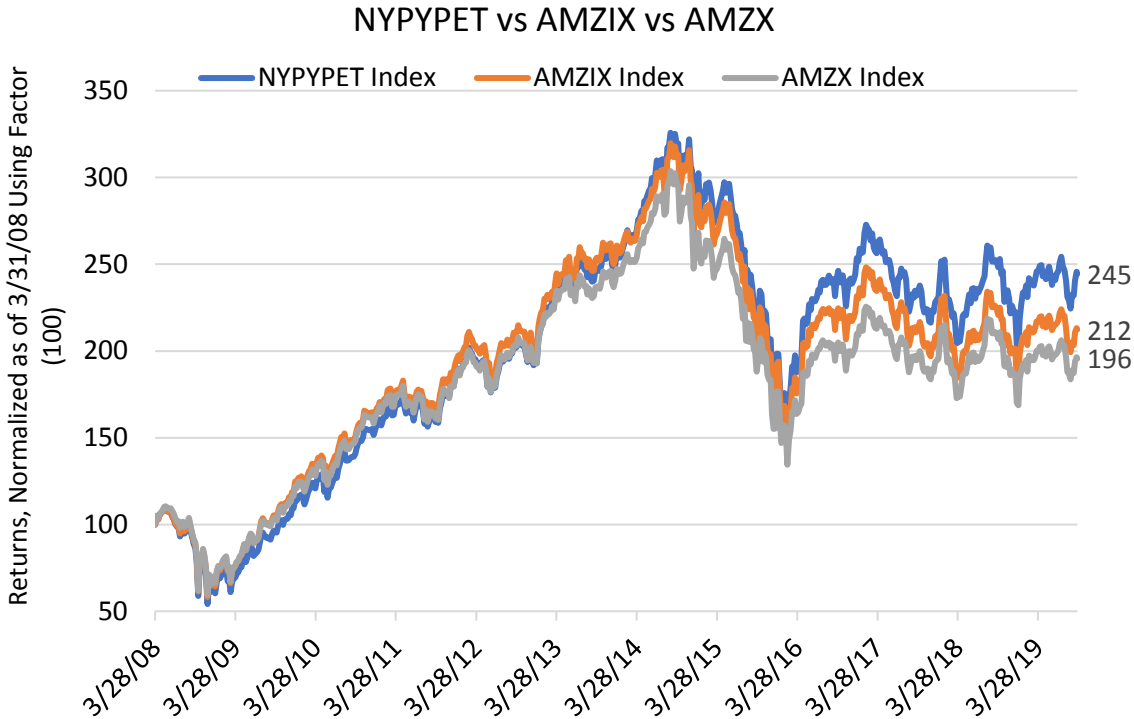
Source: Bloomberg, Wells Fargo Securities. Data as of 9/23/2019.

Compound annual growth rate (CAGR) is a business and investing specific term for the geometric progression ratio that provides a constant rate of return over the time period.

Performance

As is evident in Exhibit 8 below, the NYSE® Pickens Core Midstream™ Total Return Index (NYPYPET) has outperformed both the Alerian MLP Infrastructure Total Return Index (AMZIX) and the Alerian MLP Total Return Index (AMZX) for the period March 31, 2008 to September 23, 2019. For additional information regarding NYPYPET, please visit <https://www.theice.com/market-data/indices/equity-indices/pickens>.

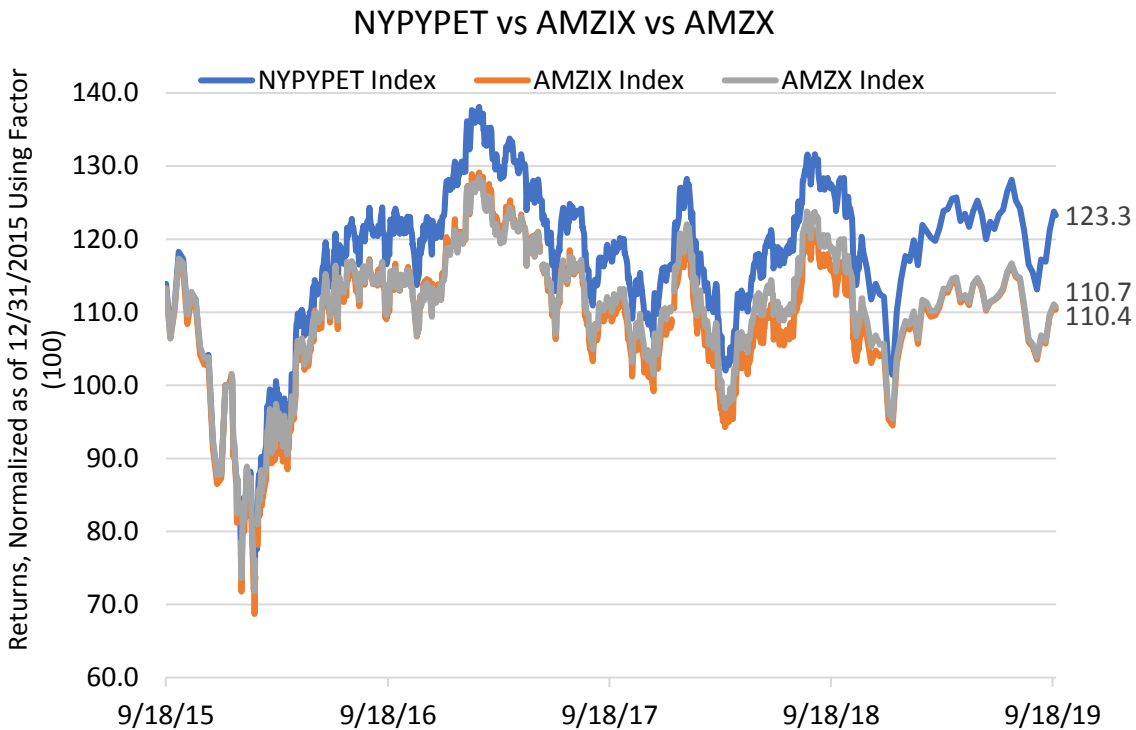
Exhibit 8: NYPYPET vs AMZIX and AMZX stats since 2008



Source: Bloomberg. Weekly data as of 9/23/2019 dating back to 3/31/2008, normalized to a common scale beginning 3/31/08 with 100. Past performance is not indicative of future results.

The outperformance has widened since 2016, as NYPYPET has captured the more positive performance generated by its C-Corp securities as they benefit from a broader pool of investors seeking exposure to improving midstream fundamentals.

Exhibit 9: NYPYPET vs AMZIX and AMZX stats since 2016



Source: Bloomberg. Daily data as of 9/23/19 dating back to 12/31/2015, normalized to a common scale beginning 12/31/15 with 100. Past performance is no guarantee of future results.

Summary

We believe that MLP-only exchange-traded products grossly underrepresent Core Midstream, which is bad for investors in those products and leaves a significant gap in the marketplace for those who want to get as close as possible to the underlying assets and operating results of midstream companies. NYPYPE solves this problem by representing U.S. midstream energy fundamentals, **agnostic of entity structure**.

We believe 2019 to be a watershed year for midstream investors, who, after years of enduring distribution and dividend cuts, are now poised to enjoy payout growth supported by a combination of both positive industry fundamentals and improving corporate governance that is now aligning to benefit both management teams and investors. And we believe that NYPYPE is the product that will most accurately track and allow investors to benefit from these changes.

Relevant link: <https://www.theice.com/market-data/indices/equity-indices/pickens>

For more information contact Toby Loftin at tloftin@bpcfunds.com and 214.615.3822.

Related Products

TriLine receives compensation in connection with licensing its indexes to third parties for the creation of investment funds or other vehicles. It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments offered by third parties that are based on that index. TriLine does not sponsor, endorse or promote any investment fund or other investment product that seeks to provide an investment return based on the performance of The NYSE® Pickens Core Midstream™ Index (ticker: NYPYPE).

Additional Information on C-Corps and MLPs

According to the Energy Infrastructure Council (formerly the National Association of Publicly Traded Partnerships), a master limited partnership (MLP) is a limited partnership whose interests (known as “units”) are traded on public exchanges, just like corporate stock. MLPs engage in active businesses, primarily in the energy industry. There are a number of publicly traded partnerships which are not active businesses and are instead investment funds, in particular commodity pools; these are not considered MLPs.

A limited partnership has one or more general partners (i.e. individuals, corporations, or other partnerships) who manage the partnership; it also has limited partners, who provide capital to the partnership but have no role in its management. When an investor buys units in an MLP, he or she becomes a limited partner.

MLPs are formed in several ways: (a) nontraded partnership may decide to go public; (b) several nontraded partnerships may “roll up” into a single MLP; (c) a corporation may spin off a group of assets or part of its business into an MLP in which it retains an ownership interest, either to realize the assets’ full value on the marketplace or as an alternative to debt; (d) a corporation may fully convert to an MLP (however, since 1986, the tax consequences have made this an unappealing option for most); or (e) a newly formed company may operate as an MLP from its inception.

Subchapter C corporations are often called “C-corps” or simply “corporations.” A C-Corporation is a company that sells shares of stock to shareholders who become the owners of the company. A C-Corporation is considered a distinct taxpaying entity and must pay taxes on its profits.

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