Master Limited Partnership

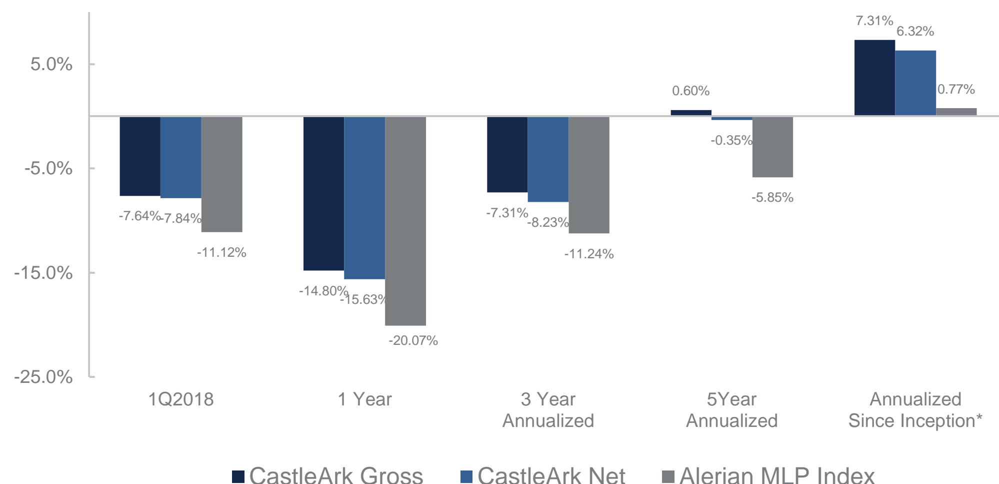
CASTLEARK

March 31, 2018

First Quarter 2018 – Performance Update

The CastleArk Master Limited Partnership (MLP) portfolio return for the quarter was -7.64% (gross) and -7.84% (net), outperforming the benchmark Alerian MLP Index return of -11.12%. Since inception, January 1, 2011, the CastleArk MLP portfolio has outperformed with an annualized return of +7.31% (gross) and +6.32% (net), compared to the benchmark Alerian MLP Index return of +0.77% for the period ending March 31, 2018.

CastleArk MLP Performance



*Inception 01/01/11

Past performance is no guarantee of future results.

First Quarter 2018 – Portfolio Review

The Alerian MLP Index returned -11.12% for the quarter. The Alerian underperformed each of the S&P 500 (-0.76%), the S&P 500 Utilities Sector (-3.30%), the MSCI REIT Index (-8.05%), the S&P 500 Energy Sector (-5.88%), and WTI Crude Oil (+7.48%).

Energy stock performance continues to dislocate from the movement in crude prices. For the 3rd quarter in a row, Exploration and Production (XOP: -5.1%) companies, Oil Service (OIH: -8.4%) companies and midstream companies (AMZ: -11.1%) all underperformed positive price movements in crude oil. The underperformance has continued despite a positive confluence of supportive factors for Energy equities. The Organization of Petroleum Exporting Countries (OPEC) has maintained a high level of compliance with their production curtailments. A growing global economy has boosted the demand for crude oil. Crude inventory levels for the Organization of Economic Co-operation and Development (OECD) countries are at the lowest level in three years. For midstream investors in particular, a negative ruling from the Federal Energy Regulatory Commission (FERC) had an outsized, negative impact on midstream equities during the quarter.

Top 10 Portfolio Holdings*

Holding	%
Enterprise Products Partners, LP	13.3%
MPLX, LP	10.2%
Plains All American Pipeline, LP	8.4%
Andeavor Logistics, LP	6.6%
Magellan Midstream Partners, LP	6.2%
Phillips 66 Partners, LP	4.9%
Energy Transfer Partners, LP	4.3%
Williams Partners, LP	4.2%
DCP Midstream, LP	3.9%
Western Gas Partners, LP	3.9%
Percentage of Total Assets	**65.9%**

Portfolio Characteristics*

	CastleArk MLP	Alerian MLP Index
Number of Companies	29	42
Trailing 12-Mo DPS Growth	4.5%	0.8%
Forward 12-Mo DPS Growth	6.3%	4.4%
Net Debt to EBITDA	4.2x	4.8x
Beta to S&P 500	1.19	1.34
Yield	6.4%	8.8%
Weight by Market Cap	$18.7B	$16.1B
Median Market Cap	$9.7B	$2.9B

Master Limited Partnership Team

Jerry Castellini
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*Representative client portfolio

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First Quarter 2018 – Portfolio Review (continued)

The CastleArk MLP portfolio outperformed the Alerian MLP Index during the quarter. The portfolio predominantly benefitted from strong stock selection within the Natural Gas Pipelines, and Liquids Transportation & Storage subsectors. From an allocation standpoint, the positive effects from overweighting the Upstream and Refining & Marketing subsectors were relatively unaffected by the negative effect of underweighting the Liquids Transportation & Storage subsector.

Market and Portfolio Outlook

Recently, energy investors would feel a lot better if they focused on the price movement in crude oil instead of the price movement in energy equities. They would see a crude market that is in its strongest fundamental position over the past three years. They would see the price of WTI crude oil having reached $66 per barrel during the quarter, its highest level over the past 27 months. They would see a combination of strong crude oil and refined products demand from a growing global economy, coupled with the production curtailments from OPEC, having helped erase the bloated OECD crude inventory levels of the past two years. They would see geopolitical risk on the rise. Houthi rebels from Yemen have launched rockets at Saudi crude oil tankers in the Persian Gulf, each carrying upwards of two million barrels of crude. Furthermore, Venezuela crude production continues to fall at a healthy pace. Workers from the national oil company, PDVSA, with the necessary talent and expertise to halt the slide, have left their jobs and the country in search of better lives. Despite all of the aforementioned positive data points, energy equities have lagged the price appreciation of crude oil for three straight quarters.

Midstream investors should feel even better. High crude oil prices are a signal to the market that more crude oil is needed to satiate demand. One of the few sources capable of satisfying that demand is the Unites States. Per the Energy Information Administration, weekly U.S. production of crude oil reached 10.460 million barrels of oil per day (mmbbl/d) at the end of March. This amount represents a rise in production of nearly 1.2 mmbbl/d year over year, and more than 2 mmbbl/d higher than the lows of 2016. Despite this growth, crude oil still trades at a level indicating that more production is needed. Growing production means higher cash flow for midstream companies. Yet, the midstream subsector this past quarter was the worst performing subsector within Energy. While broad-based Energy equity weakness may help explain some of the underperformance, midstream returns were particularly challenged by a negative ruling from the FERC.

Per the FERC ruling, interstate natural gas pipelines, specifically owned by MLPs, that are under a "cost-of-service" tolling arrangement cannot impute an income tax allowance in their rate base when determining a pipeline's Return on Equity (ROE). Essentially, by not being able to deduct income taxes when arriving at the Net Income for a pipeline, the go-forward ROE could be above the allowed rate determined by FERC. As a result, the tariff (fee), that the pipeline

First Quarter 2018 Best and Worst Contributors*

Best:	Contribution
1. Viper Energy Partners, LP	0.34%
2. Plains All American Pipeline, LP	0.25%
3. Marathon Petroleum Corp.	0.18%
4. ONEOK, Inc.	0.07%
5. Emerge Energy Services LP	-0.02%
6. Diamondback Energy, Inc.	0.02%
7. TC Pipelines, LP	0.02%
8. Tallgrass Energy Partners, LP	-0.01%
9. Cheniere Energy Partners, LP	-0.01%
10. Crestwood Equity Partners, LP	-0.00%

Worst:	Contribution
1. Magellan Midstream Partners, LP	-1.13%
2. Enterprise Products Partners, LP	-0.87%
3. Williams Partners, LP	-0.79%
4. Energy Transfer Partners, LP	-0.72%
5. EQT Midstream Partners, LP	-0.53%
6. MPLX, LP	-0.52%
7. Williams Companies, Inc.	-0.36%
8. Western Gas Partners, LP	-0.33%
9. Dominion Energy Midstream Partners, LP	-0.30%
10. Energy Transfer Equity, LP	-0.29%

* Representative client portfolio. A complete list of each security's contribution to performance and description of the calculation methodology is available upon request.

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Market and Portfolio Outlook Continued

--- is charging could have to be lowered in order to bring ROEs in line with the allowable level. Lower tariff rates, all else equal, would mean lower cash flow going forward for the owners of the affected pipelines. On 3/16/18, the date of the ruling, midstream equities, having not anticipated such a drastic ruling, quickly fell nearly 11% intraday (as measured by the Alerian Index). In the subsequent three days following the ruling, the market erased more than $20 billion in cumulative market capitalization from the Alerian.

While the market was quick to react negatively to the ruling, there are more nuanced details that could lessen the ultimate impact of the ruling. First, not every interstate, natural gas pipeline owned by MLPs are under a cost-of-service arrangement. Other types of fee structures include indexation, market based, negotiated rates and settlement rates. Therefore not all MLPs owning such pipelines will be affected in the same manner. Second, pipelines are consistently being upgraded to ensure reliability. These costs are capitalized in the rate base and as the rate base grows, revenue will typically increase as well. An increase in the capitalized rate base could help offset any decrease in the fee. Third, some MLPs that own the affected pipeline are themselves primarily owned (>50% of outstanding units) by C-Corporations which still get to impute an income tax. FERC has left this issue unresolved and clarification could come within the 60 day comment period. While it is difficult to determine the exact financial impact on each company as a result of the ruling, almost 20 companies have publicly downplayed its impact. With an 8.8% Alerian yield and select equities down more than 30%, the market is baking in the worst possible outcome for MLPs. We believe that the selloff was overdone.

CastleArk MLP Strategy

We believe that it is the growth in distributions, not yield, that drives superior returns for Master Limited Partnerships. The ability to grow distributions in the future is dependent on a partnership's ability to earn high returns on investments made today. At CastleArk, we use our deep breadth of expertise investing across the Energy sector to identify those partnerships that exploit industry economics to achieve higher levels of distribution growth, leading to superior total return potential for our clients. CastleArk uses a bottom-up approach when building the Master Limited Partnership portfolio. Our team uses fundamental analysis to construct a high-conviction portfolio of 25 to 35 partnerships that seeks to diversify across all subsectors of the Master Limited Partnership universe. Continuous daily dialogue, as well as weekly reviews of every holding, allow our managers to emphasize risk management. Limits on position sizes and active monitoring of our tracking error contribute to the risk-management process. We will look to sell positions when the long-term fundamentals and growth outlook have deteriorated to below our expectation.