



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

# North American Midstream Energy Strategy for Institutional Wrap Program Clients

DIVIDEND ASSETS CAPITAL INSTITUTIONAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH 12/31/18

## Focused Investment Approach

Investments in midstream securities present the opportunity to participate in the energy sector while historically demonstrating less volatility than the underlying commodity. Within our midstream universe, we seek entities that have historically consistent rising distributions, strong balance sheets, and significant growth potential at attractive prices.

## Disciplined Process

DAC starts with a bottom-up research approach focused on a number of factors: accelerating distribution growth, geographic footprint, credit quality focused on investment grade MLPs & C Corps, and valuation analysis.

Our sell discipline is thoughtful and straightforward. An investment will be sold if the fundamentals of the business deteriorate or if the distribution is cut.

## Tax Advantaged Strategy

Taxation varies among the different investment vehicles. Direct ownership is the only way to get full tax benefits provided by the MLP.

Investing through ETNs, ETFs, or Mutual Funds expose the client to additional taxes, fees, and risk that could significantly alter their perceived experience.

## PORTFOLIO CHARACTERISTICS

Average Capitalization	\$17.1B
Distribution Yield	8.0%
Distribution Growth Y/Y	16%
3 YR Crude Correlation	0.47
% Investment Grade	61%
Annual Turnover	34%
Number of Holdings	15
3 YR S&P Correlation	0.58

The Portfolio Characteristics, Top Ten Holdings, and Diversification tables displayed present data from a representative account of the DAC's North America midstream energy MLP & C Corp composite for Institutional Wrap Clients. Top Ten Holdings are shown as a percentage of net assets and listed in order of rank. Individual holdings, statistics and characteristics may differ from those of the composite and representative account due to the size of the portfolio, client-specific constraints, tax considerations or other factors. Holdings are subject to change at any time and are not recommendations to buy or sell any security.

DAC SEEKS INVESTMENTS IN HIGH-QUALITY MIDSTREAM ENERGY MASTER LIMITED PARTNERSHIPS (MLPS) AND C CORPORATIONS THAT OFFER INVESTORS THE POTENTIAL FOR HISTORICALLY HIGHER INCOME THAN TRADITIONAL SOURCES, AS WELL AS CAPITAL APPRECIATION AND DIVERSIFICATION.

## PORTFOLIO PERFORMANCE

Total Returns %	Qtr	YTD	1 YR	Annualized		
				3 YR	5 YR	Since Inception
DAC (Gross of Fees)	-15.73%	-12.15%	-12.15%	-2.66%	-6.62%	-0.16%
DAC (Net of Fees)	-16.36%	-14.74%	-14.74%	-5.53%	-9.37%	-3.11%
Alerian MLP Index	-17.30%	-12.42%	-12.42%	-1.06%	-7.31%	-1.26%

Calendar Year Performance %	2018	2017	2016	2015	2014	2013
DAC (Gross of Fees)	-12.15%	-9.18%	15.59%	-33.75%	16.22%	31.83%
DAC (Net of Fees)	-14.74%	-11.86%	12.18%	-35.70%	12.79%	27.94%
Alerian MLP Index	-12.42%	-6.52%	18.31%	-32.60%	4.80%	27.59%

**Performance data shown represents past performance. Past performance is not indicative of future results.** The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs; net returns are reduced by all fees and transaction costs incurred. All-inclusive/Bundled/Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. DAC receives a portion of the total wrap fee paid to the wrap program sponsor for its portfolio management services. Wrap/Bundled fee accounts make up 100% of the composite for all periods shown. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Net of fee performance was calculated using a model fee of 3.00%.

The Alerian MLP Index (NYSE: AMZ) is a widely recognized, unmanaged index that includes a composite of the 50 most prominent energy MLPs.

The S&P 500 Index is a market value weighted index consisting of 500 stocks chosen for market size, liquidity and industry group representation.

These indexes are unmanaged, and you cannot invest directly in an index. The index comparisons are provided for informational purposes only and should not be used as the basis for making an investment decision.

Top Ten Holdings	Distribution	Portfolio Diversification
Enterprise Products Partners LP	7.0%	<ul style="list-style-type: none"> <li>26% Natural Gas Gathering &amp; Processing</li> <li>25% Natural Gas &amp; NGL Pipelines</li> <li>19% Crude Oil</li> <li>14% Refined Product</li> <li>7% Other</li> <li>0% General Partner</li> </ul>
MPLX LP	8.2%	
Tallgrass Energy LP	7.7%	
Magellan Midstream Partners LP	6.6%	
Western Gas Partners LP	8.9%	
Energy Transfer LP	9.2%	
Cheniere Energy Partners LP	6.1%	
Phillips 66 Partners LP	7.0%	
EQM Midstream Partners LP	9.9%	
Hess Midstream Partners LP	8.0%	

## Rising Distributions

At DAC, we strategically focus on Midstream MLPs & C Corps with strong distribution growth potential above the market over time.

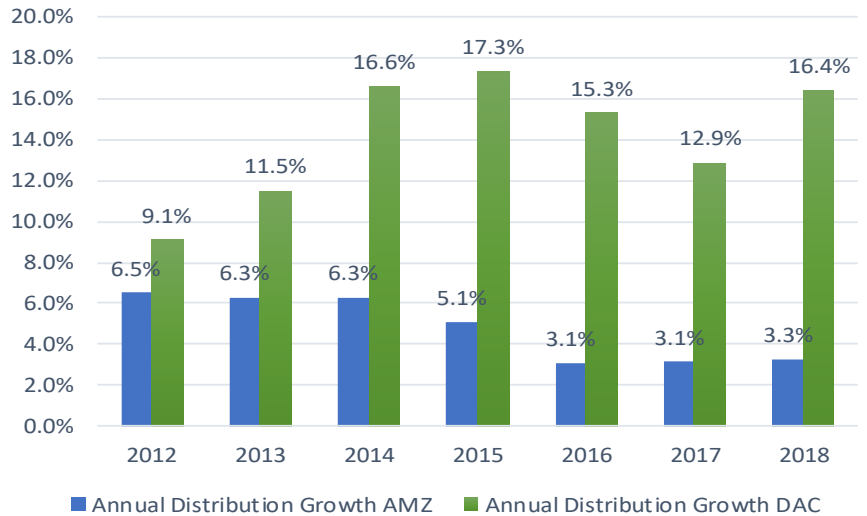
## Income in a Low Yield World

Midstream energy entities' yields compare favorably to other fixed income and equity instruments.

## Rising Rate Environments

Inflationary growth environments tend to mean solid economics for energy producers, and we believe the underlying entities can provide inflation protection by utilizing fee-based contracts tied to inflation indices.

## ANNUAL DISTRIBUTION GROWTH



The annual distribution growth information above is for a representative account and are trailing twelve month rates based on the calendar year. In order to provide prior year comparisons, the minimum quarterly distribution, or the first full quarter distribution was used as a proxy for quarters where the company does not have a stated minimum quarterly distribution, there was no distribution or the distribution was for a partial quarter because the company had not yet had a public offering. The distribution growth of an individual account may differ due to client-specific constraints, tax considerations or other factors.

Dividend Assets Capital Institutional ("DAC") is a division of Dividend Assets Capital, LLC that manages portfolios for institutional clients, financial intermediaries, and mutual funds. Dividend Assets Capital, LLC is a Registered Investment Adviser with the U.S. Securities and Exchange Commission. Registration does not imply any certain level of skill or training. Past performance is not indicative of future results. The risk of substantial loss exists in equity and MLP trading and equity and MLP investments are not suitable for all investors. You should carefully assess your objectives and risk tolerance before investing. Data is deemed to be reliable, but DAC does not guarantee reliability or accuracy. Information provided is as of the date of this report and subject to change at any time. DAC claims compliance with the Global Investment Performance Standards (GIPS®). The GIPS compliant presentation, as well as a full list of the Firm's composite descriptions, is available upon request by contacting DAC at (866) 348-4769.

The North America Midstream Energy MLP & C Corp Wrap Composite includes wrap accounts that seek to invest in high-quality Master Limited Partnerships (MLPs) that offer investors the potential for historically higher income than traditional sources during challenging yield environments, as well as capital appreciation and diversification. This strategy has a target of holding at least 90% midstream energy MLPs & C Corps.

The composite is compared against the Alerian MLP Index, which is a float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization. The MLP Composite was created January 2012. In November 2018, the composite was changed to allow the investment in C Corps.

DAC does not assume any responsibility for the accuracy or completeness of information provided by third-party data sources.

**OWNERSHIP IN MASTER LIMITED PARTNERSHIPS.** Master Limited Partnerships (MLPs) are limited partnerships that trade as units on public securities exchanges. MLPs are generally held in an investor's account to generate income. A substantial portion of the cash distributions made are considered a return of capital, tax-deferred until the units are sold. Investors should consult a tax advisor regarding individual circumstances. Investors in MLPs should determine the tax consequences of investing in MLPs based on their specific circumstances and should consult with their tax advisor regarding the tax consequences of an investment strategy of investing in MLPs. Investors in MLPs should be aware that any changes in the current tax law could potentially result in future and retroactive tax consequences and should consult their tax advisors regarding any tax law changes. Investors in MLPs may be

required to file tax returns and pay tax in each state in which the MLP operates. Individual retirement accounts and retirement plans investing in MLPs may be required to report unrelated business taxable income (UBTI) and pay unrelated business income tax (UBIT). Tax reporting information for MLPs is provided to investors on an annual Schedule K-1 issued by an MLP. Investors may be required to request an extension of time to file their tax returns if an MLP has not issued a Schedule K-1 by April 15.

**ADDITIONAL INFORMATION.** You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses before investing. The Firm's Investment Adviser Brochure, Form ADV Part 2, contains this and other information about the Firm, and should be read carefully before investing. You may obtain a current copy of DAC's Form ADV Part 2 by visiting our website at [www.DACapitalSC.com](http://www.DACapitalSC.com), emailing [info@DACapitalSC.com](mailto:info@DACapitalSC.com), or by calling us at (866) 348-4769. Additional information about Dividend Assets Capital, LLC is also available on the United States Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number known as a CRD. DAC's CRD is 129973.

