

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 12/31/19

## 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 high-quality assets at attractive valuations.

## 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.

## Investment Team

Ying "Susie" Wang, CFA®, CIC®  
Co-Chief Investment Officer,  
Director of Energy & Portfolio Manager

Peter G. Gerry, III  
Portfolio Manager & MLP Analyst

## PORTFOLIO CHARACTERISTICS

Average Capitalization	\$22.9B
Distribution Yield	7.7%
Distribution Growth Y/Y	9%
3 YR Crude Correlation	0.44
% Investment Grade	65%
Annual Turnover	54%
Number of Holdings	19
3 YR S&P Correlation	0.67
Sharpe Ratio	0.02%
Information Ratio	3.13%

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	3 YR	5 YR	Since Inception
DAC (Gross of Fees)	-0.52%	10.89%	10.89%	-3.94%	-7.46%	1.18%
DAC (Net of Fees)	-1.27%	7.63%	7.63%	-6.77%	-10.19%	-1.81%
Alerian MLP Index	-4.08%	6.56%	6.56%	-4.46%	-7.00%	-0.35%

\*Inception Date 12/31/2011

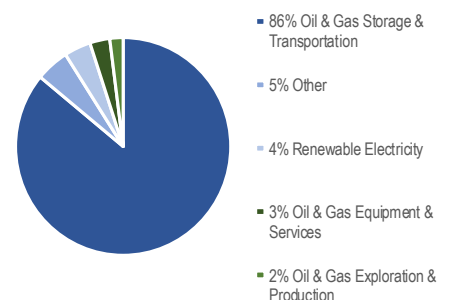
Calendar Year Performance %	2019	2018	2017	2016	2015	2014	2013	2012
DAC (Gross of Fees)	10.89%	-11.99%	-9.18%	15.59%	-33.75%	16.22%	31.83%	5.62%
DAC (Net of Fees)	7.63%	-14.59%	-11.86%	12.18%	-35.70%	12.79%	27.94%	2.50%
Alerian MLP Index	6.56%	-12.42%	-6.52%	18.31%	-32.59%	4.80%	27.58%	4.80%

**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 Yield
Enterprise Products Partners LP	6.2%
MPLX LP	10.4%
Magellan Midstream Partners LP	6.4%
Energy Transfer LP	9.5%
Phillips 66 Partners LP	5.5%
Tallgrass Energy LP	9.7%
Hess Midstream Partners LP	6.9%
ONEOK Inc	4.7%
Cheniere Energy Partners LP	6.1%
Williams Cos Inc/The	6.4%

## Portfolio Diversification



The Portfolio Characteristics, Top Ten Holdings, and Diversification tables displayed present data from a representative account of the DAC's North American Midstream Energy MLP and 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. A complete list of holdings is available upon request.

## Disciplined Process

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

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

## Rising Distributions

At DAC, we strategically focus on midstream energy MLPs and C Corps with sustainable distribution growth potential above the market over time.

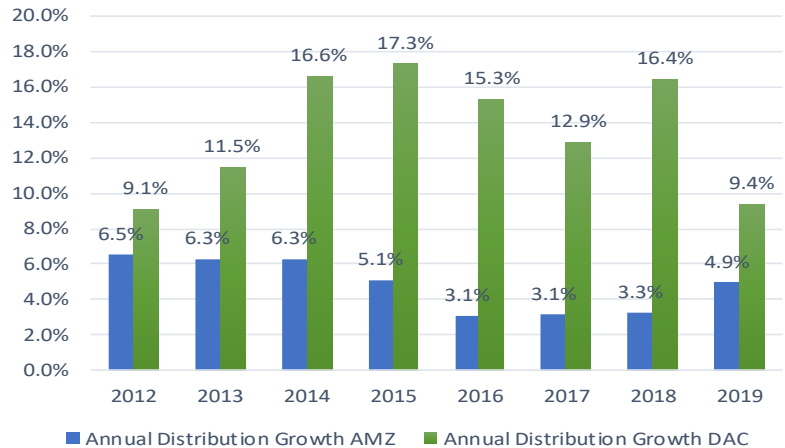
## Rising Rate Environments

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.

## Income in a Low-Yield World

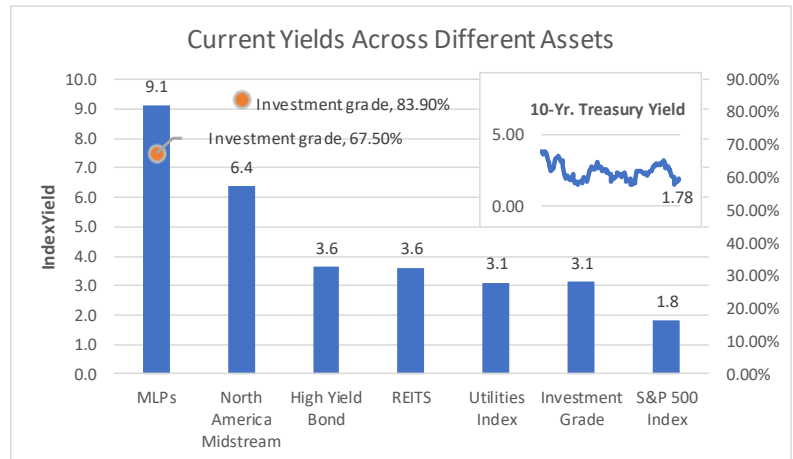
Midstream energy entities' yields compare favorably to other fixed income and equity instruments.

## ANNUAL DISTRIBUTION GROWTH



If a company enters the strategy mid-year, quarterly paid distributions are annualized to produce the annual distribution growth rate for that year. These results are hypothetical, do not reflect actual distributions and are prepared with the benefit of hindsight. The data is shown for illustrative purposes only and should not be interpreted as the actual performance. Past performance is not indicative of future results.

## Current Yields Across Different Assets



Source: Bloomberg

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The North American Midstream Energy MLP and 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 and C Corps. This factsheet should not be construed as tax advice. You should always consult with your tax professional with regards to specific tax questions and obligations.

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.DACCapitalSC.com](http://www.DACCapitalSC.com), emailing [info@DACCapitalSC.com](mailto:info@DACCapitalSC.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

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