MLP & Energy Infrastructure Market

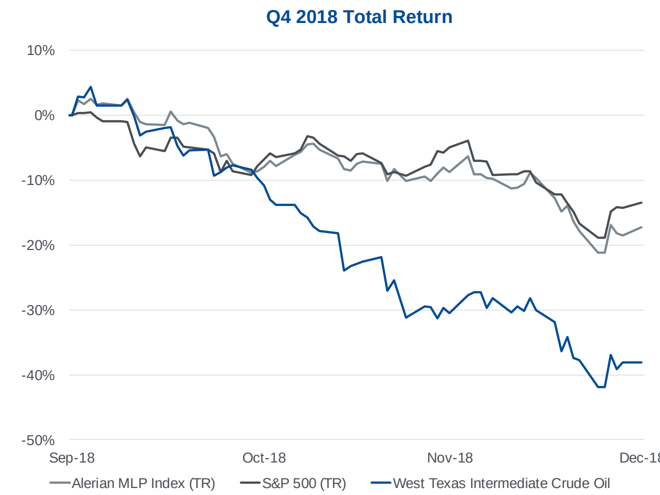
Fourth Quarter 2018 Commentary

OVERVIEW

Master Limited Partnerships ("MLPs"), as represented by the Alerian MLP Index ("Index") returned -17.30% during the quarter ended December 31, 2018. The Index's one year return was -12.42%. These returns compare to returns for the S&P 500 of -13.52% and -4.38% for the quarter and year, respectively.

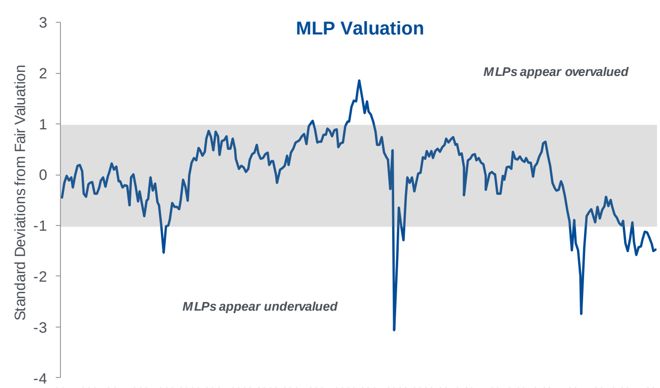
OUTLOOK

MLP fundamentals remained strong throughout 2018. At year end, MLPs were generating an all-time high level of cash flow. As illustrated in the chart to the right we believe the difficult returns for the quarter can generally be characterized as the result of a broader de-risking in the equity markets. Whether attributable to fears of an economic slow-down outside of the United States, global trade concerns, diminishing returns from the tax cut, an overly aggressive Fed, or political impasse, the potential culprits are many. Layer on top of this an active tax-loss selling season from MLP investors and you end up with the 3rd down year for the Index out of the past 4 years. We view as a modest positive the fact that MLPs traded more in line with the S&P 500 and, though directionally similar, not in lockstep with crude oil prices.



MLPs began to get their footing in late December as the inevitable end of tax-loss selling approached. As a result of the weak quarter, MLPs enter the New Year at very attractive valuations (see MLP Valuation chart below) that reflect investor sentiment more so than strong energy industry fundamentals.

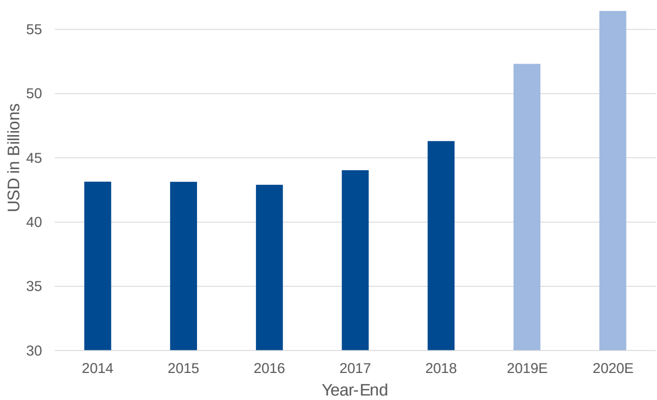
The two charts on the next page put a finer point on the valuation topic. Assessing the measure of enterprise value to EBITDA (earnings before interest, taxes and depreciation), MLPs are cheaper today than they were when crude oil prices bottomed at $26 in February 2016. Trading at 9.0x as of 12/31/2018, MLPs look cheaper than utilities or the broader market on this metric as well. Further evidence of low valuations is that private equity investors have been offering premiums to buy publicly-traded MLPs. On December 19th, Tallgrass Energy[1] outperformed the Index by over 12% on news that private equity investors were rumored to be considering acquiring the MLP.



Period: 12/31/95 to 12/31/18. Source: Advisory Research, FactSet Research Systems
Composite valuation based on both relative and absolute valuation metrics
Standard deviation is a measure of volatility, which shows how much variation exists from the average return

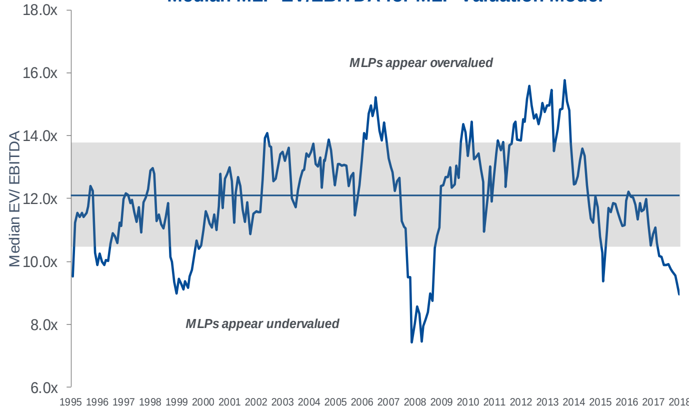
[1]As of 12/31/2018, Tallgrass Energy LP represented 6.50% of the portfolio of the Fiduciary/Claymore Energy Infrastructure Fund (FMO).

Alerian MLP Index
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)



Data as of 12/31/18. Source: Advisory Research, FactSet Research Systems.
Note: Data is based on annual observations using the current Alerian MLP Index constituents. Numbers are sell-side estimates sourced from the FactSet Research Systems estimates database. The data used for each security is the Consensus Median Estimate.

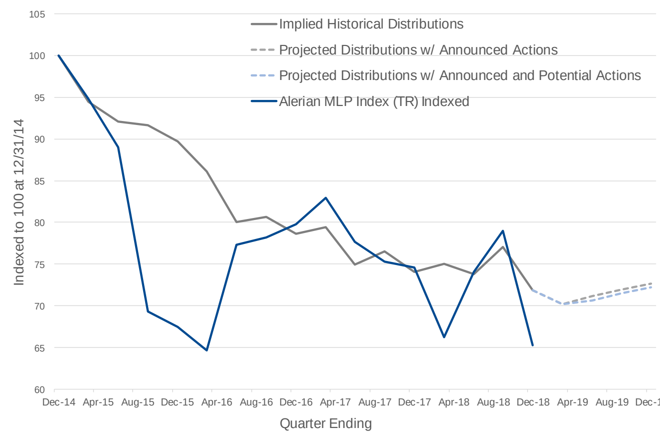
Median MLP EV/EBITDA for MLP Valuation Model



Period: 12/31/95 to 12/31/18
Source: Advisory Research, FactSet Research Systems

From this backdrop, we think MLPs and energy infrastructure are poised to perform well in comparison to most equity and fixed income asset classes. We believe that MLP distribution cuts are mostly behind us, which is a catalyst to bring yield investors back to the group. The chart to the right illustrates an inflection in distributions in 2019, which we believe will position MLPs and energy infrastructure equities to outperform fixed income securities in an environment where investors fear an increase in the target rate by the Federal Reserve Open Market Committee. If we are correct in this outlook, a stabilization of equity prices could confirm a near-term bottom in MLPs. This could trigger a realization by value investors that the group is undervalued given the persistent recovery in energy fundamentals.

Alerian MLP Index Distributions
(Q4 2014=100)

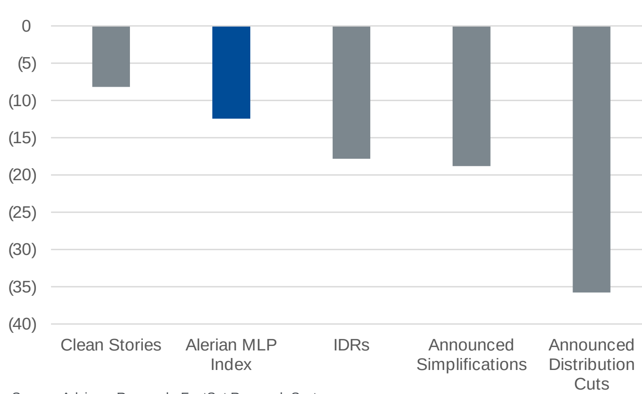


Period: 12/31/14 to 12/31/18. Source: Advisory Research, Alerian, FactSet Research Systems
Note: Announced actions are assumed to take place before Q119 distributions and include AM, AMGP, AMID, DM, ENLK, EQGP, TLP, VLP, and WES. Potential actions are assumed to take place before Q219 distributions and include ANDX, CQP, TCP, and SMLP.

An issue that hampered security performance for the group in 2018 was noise and uncertainty created by the large number of consolidation transactions between MLPs and their affiliates. It is readily apparent from the following column chart that entities who entered 2018 with clean stories, i.e. no publicly traded general partners with Incentive Distribution Rights ("IDRs"), were preferred by investors. Those entities that announced a transaction during the period meaningfully underperformed.

While it may appear as though the cure was worse than the disease, we think the asset class is healthier for it. As noted in the table on the next page, MLPs currently offer attractive yields with lower payout ratios than before the energy collapse. Leverage has returned to reasonable levels compared to the peak levels of 2015 and 2016. Distribution/dividend growth rates have come down to levels we began calling for in 2014. In addition, many midstream entities are shifting from accessing the equity markets to internally generating cash flow to fund capital expenditures. All of these factors present less risky, more reliable, yield-oriented investments that we think investors will see as opportunities in 2019.

2018 Midstream Return Comparison (%)



Source: Advisory Research, FactSet Research Systems
Note: This includes midstream-only names. Returns are market-cap weighted. Clean Stories were classified as entering 2018 without IDRs or needing to simplify.

Alerian MLP Index	Pre – Energy Crisis 9/30/2014	Current 12/31/2018
Distribution Yield %	5.2	8.8
Distribution Growth Rate %	8.5	5.0
Commodity Price Exposure %	19.9	7.9
Distribution Coverage Ratio	1.17x	1.47x

We acknowledge that the interest rate environment and lower crude oil prices are a risk to our 2019 outlook. A global slow down remains a medium-term risk, and this may induce a recession in the United States. Notwithstanding these risks, the fundamentals for the energy industry look much healthier than current valuations suggest. In large part, increased production of oil and natural gas is increasingly finding a growing export market and investment is being made to meet this demand. This should bode well for midstream volumes and sustained higher earnings for the companies we own. Overall, we believe midstream companies present a compelling investment today and could outperform other areas of the market on a relative basis in 2019.

Thank you for your continued trust and support. As always, we welcome any questions you may have.

Sincerely,

Advisory Research MLP & Energy Infrastructure Team