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As an investment advisor, you have been subscribed to the MLP Newsletter so that you and your clients can stay abreast of this powerful income-generating sector. Published quarterly, the MLP Newsletter includes valuable information and expert opinion about MLPs that you cannot get anywhere else.

The Master Limited Partnership Association (MLPA) is a trade association representing the publicly traded limited partnerships (PTPs) that are commonly known as master limited partnerships (MLPs), and those who work with them.

Yorkville Capital Management, LLC is a Registered Investment Advisor dedicated to investing in master limited partnerships. Yorkville's investment team is comprised of pioneers in researching and investing in MLPs. We interviewed Yorkville head trader Will Hershey and began by asking about his views on the recent election.

YORKVILLE CAPITAL MANAGEMENT LLC

Advisor Access: *What do you see as the impact(s) of Trump's victory in the presidential election on midstream MLPs?*

Will Hershey: Trump's commitment to tapping U.S. shale for economic growth, combined with his apparent support for deregulation of the energy infrastructure space, led to a bid for midstream companies the day following his election. The Alerian MLP Index (AMZ Index) finished the day +2.89%, its best daily performance since July 12, 2016.

While details remain scarce, one of the primary tenets of Trump's platform included the deregulation of the energy infrastructure landscape in order to create job growth and facilitate the path towards energy independence. More specifically, Trump's infrastructure plan references $33 billion in energy infrastructure projects that "have been either rejected by regulators or withdrawn by developers since 2012, with billions more tied up in projects still in regulatory limbo." He has also been vocal on the approval of TransCanada's Keystone XL and more recently, Energy Transfer's Dakota Access Pipeline.

Trump's unexpected victory creates a much more favorable backdrop for the process of taking new pipelines from the drawing board to completion. Ultimately, this should greatly benefit those MLPs with large capex budgets for both greenfield projects and brownfield expansions to serve areas of the country which currently lack proper takeaway capacity, such as North Dakota. Oil and natural gas prices aside, the anticipated policy changes provide an unexpected boost to the growth and buildout of North American energy infrastructure. At the Shale Insight conference in Pittsburgh in September, the President-elect stated "we will streamline the permitting process for all energy infrastructure projects, including billions of dollars in projects held up by President Obama – creating countless more jobs in the process." What seemed to be a headwind under the Obama administration has turned into a tailwind for MLPs, both from a perspective of sentiment and fundamentals.

AA: *Interest rates have rallied from a low of ~1.5% to as high as ~2.5% on increased expectations for U.S. growth. With interest rates heading higher, which segments of the MLP asset class are likely to outperform?*

"Historically, MLPs have performed well in periods of rising rates despite the common misconception of their rate sensitivity."

WH: Historically, MLPs have performed well in periods of rising rates despite the common misconception of their rate sensitivity. During the last major move in the ten-year treasury bond, from 1.6% to 3.0% from May to December of 2013, MLPs gained 7.9%. Similarly, they gained 10.7% from October 2010 through February 2011 (the ten-year yield went from 2.4% to 3.7%). The results over previous periods of increasing rates are similar, if not more impressive, from an MLP total return perspective.

We believe that MLPs have been able to perform well in these environments because unlike fixed income securities, MLPs offer the potential for growth in income in addition to high current yields. Whereas utilities offer very modest growth, MLPs have historically grown distributions in the mid-to-high single digit percentage range per annum. This growth in income offers a hedge against inflation and protection against rising interest rates.

Within the MLP asset class, high distribution growth, dropdown oriented MLPs have underperformed in 2016. The RBC Yorkville MLP Distribution Growth Leaders ETN (NYSE:YGRO) is up a modest 3.79% through November 30th, 2016. However, high growth MLPs currently offer attractive relative valuations, with sponsored dropdown MLPs growing distributions at rates as high as 15, 20, 25-plus percent per year. Following the $26 bottom put in for WTI on February 11th of this year, investors flocked to MLPs with high current yields in search of a value trade. We believe rotation out of the higher yielding MLPs to partnerships with more attractive growth profiles may lead that segment of the asset class to outsized returns in 2017.

". . . MLPs with the greatest exposure to increased volumes and energy prices are likely to be the first to see their earnings improve."

AA: *Which MLP sectors are best positioned for the next stage of the energy market cycle?*

WH: As energy prices have bottomed and we have moved into the recovery stage of the broader energy commodity cycle, MLPs with the greatest exposure to increased volumes and energy prices are likely to be the first to see their earnings improve.

Yorkville believes that this means exposure closer to the wellhead will be the way to play for outsized returns. In Yorkville's affiliated long-only mutual fund, the James Alpha Yorkville MLP Fund (JMLPX), this has meant overweighting of the Energy Services, Gathering & Processing and Crude Oil Pipelines sectors.

Yorkville has expressed its Energy Service exposure by investing in MLPs focused on the production of frac sand, used as a proppant in hydraulic fracturing ("fracking"). Frac sand volumes per well increased in excess of 20% from 2014 to 2015, and in certain regions have grown 50% from 2014-2016. Leading oil and gas operators, depending on the region, have increased their sand volumes per well between 10-30% year-over-year. Wall Street analysts forecast overall sand volumes to grow 70% in 2017 and 80% in 2018. It is expected that this will first lead to an increase in volumes for sand producers, and subsequently, higher prices. This will lead to increased utilization rates and therefore, higher margins and profits.

Gathering & Processing MLPs are second to benefit as drilling activity begins to ramp. Many G&P MLPs have minimum volume commitments ("MVCs") in place, which help to cushion their downside. While this has helped many G&Ps navigate the energy commodity downturn, higher prices are likely to lead to increased production in secondary and tertiary basins above and beyond the MVC levels, providing additional upside and growth potential.

Finally, Crude Oil Pipelines, both intra- and inter-state, are poised to benefit from renewed activity in basins other than the Permian, where volumes have remained stable. This includes MLPs with crude oil pipelines in service in the Bakken, DJ/Niobrara and Eagle Ford basins.

AA: ***Where do the capital markets currently stand for MLPs? How about M&A activity?***

WH: The capital markets for the energy space in general, and more specifically MLPs, have come a long way from late 2015/early 2016 when markets were essentially frozen. Whereas deals earlier in the year priced at wide discounts and were generally limited to larger MLPs, conditions have greatly improved through the second half of 2016. While certainly a down year from a total proceeds perspective, MLPs have still raised over $7 billion in equity financings and an additional $18 billion in debt. Additionally, proceeds have been increasingly used to finance acquisitions and dropdowns and less to shore up balance sheets and raise cash as we have transitioned from the commodity trough of February.

"...many MLPs still offer outsized total return potential and stockpicking will prove essential to generating alpha above the benchmark."

The midstream/MLP M&A space has been extremely active as a wave of consolidation has taken form in the second half of 2016. The deals generally fall into three categories: formation of mega-cap midstream operators (Enbridge/Spectra; failed Energy Transfer/Williams); simplifications (Sunoco Logistics/Energy Transfer; American Midstream/ JP Energy; Semgroup/Rose Rock; Targa/Transocean/SunCoke rollups) and strategic acquisitions (TransCanada/Columbia; Energy Transfer/Penntex; Buckeye/VTTI). In addition, traditional dropdowns have picked up as secondary market equity discounts have tightened.

AA: ***What are your expectations for MLP total returns over the next 12 months?***

WH: Despite the extremely volatile year for the asset class, MLPs (as measured by the Alerian MLP Index) appear set to close out 2016 with a double digit percentage gain (+13.33% through 11/30/16). With the uncertainty of OPEC largely behind us, MLPs look poised to return modest distribution growth in 2017. A low to mid-single digit percentage growth rate, coupled with a yield of 6-7% leads us to a total return assumption of 10-15% for 2017. However, many MLPs still offer outsized total return potential and stockpicking will prove essential to generating alpha above the benchmark.

AA: ***Will the global oil markets rebalance organically without an OPEC production cut?***

WH: OPEC is to cut by 1.2 million barrels per day, and non-OPEC is expected to cut by some amount less than or equal to 600 thousand barrels per day. The latter cut will likely include a relatively large cut of 200 to 300 kbpd by Russia with, OPEC hopes, other countries following suit. Non-OPEC countries' coordination on a cut will be a little problematic as there is no established forum for this to happen, but there are many options to solve this.

It is expected that non-compliance by OPEC countries will be in the 20-25% range, and thus the envisaged cuts are expected to be mostly "real cuts." On its 12/1/16 teleconference, the IEA reported that if the agreement is implemented, both on the OPEC and non-OPEC sides (using IEA's existing numbers for supply/demand/stocks) there will be a dramatic change in the supply/demand balance. Early in the first half of 2017, demand is expected to begin to exceed supply (leaving stocks out of the equation) and in the second half of 2017, demand will exceed supply by 500,000 barrels per day. Under this scenario, with OPEC and non-OPEC cuts, the rebalancing process will begin in early 2017.

In the event that the OPEC deal comes unglued over time, initially there will be some progress towards rebalancing, but reaching balance or even a surplus of demand over production, will depend on the rate of non-compliance over time and market conditions. A real rebalancing will necessarily be pushed to the right, and may or may not be achieved depending on the magnitude of the production cuts promised but not delivered.

AA: ***Thank you for your comments, Will.***

ABOUT ADVISOR ACCESS

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.