

November 2017

American Energy Independence Index Methodology (Public)

Overview:

The Index uses a proprietary, rules-based methodology to measure the performance of a portfolio of U.S. and Canadian exchange-listed equity securities of companies that generate a majority of their cash flow from certain qualifying “midstream” energy infrastructure activities. Midstream energy infrastructure refers to the processing, storage, transportation, and distribution of crude oil, natural gas, refined products, , and their related products as well as the transmission or storage of renewable energy. The following activity segments are considered qualifying midstream energy infrastructure activities: gathering & processing, compression, fractionation, logistics, midstream services, pipeline transportation, storage and terminaling of oil, gas, natural gas liquids, and refined products, as well as liquid natural gas facilities, renewable energy transmission and storage infrastructure. The following activity segments are not qualifying activities: refining, shipping, exploration, production, retail distribution, coal related activities, power generation or oil services. The Index may include small-, mid-, and large-capitalization companies. The index is calculated by S&P and is disseminated real-time on a price-return basis (AEIPR) and on a total-return basis (AEITR).

About SL Advisors:

SL Advisors is an investment firm that specializes in energy infrastructure. The company runs separately managed accounts, an MLP & Energy Infrastructure mutual fund, and writes extensively about the shale revolution and energy markets. Please visit sl-advisors.com for more details.

Sources of information

Annual reports (10-Ks), Quarterly Reports (10Qs), 8-Ks including press releases, prospectuses and proxies, and the Canadian equivalents.

Shares included in the calculation of shares outstanding include all common shares and shares that represent a similar economic interest to common shares.

Categories and weightings

The Index includes securities across five categories of midstream companies. Such categories and the weight assigned to each category at the time of each rebalance of the Index are as follows:

U.S. Midstream GPs (Partnerships) (15%)	U.S.-listed companies that (i) have their principal place of business in the United States, (ii) elect to be treated as a partnership for U.S. federal income tax purposes, (iii) own the general partner (“GP”) of a publicly-traded master limited partnerships that generates a majority of its cash flow or revenue from midstream energy infrastructure activities (a “Midstream MLP”), and (iv) generate the majority of their cash flow or revenue from midstream energy infrastructure activities including cash flow from interests in Midstream MLPs.
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U.S. Midstream GPs (Corporations) (35%)	U.S.-listed companies that (i) have their principal place of business in the United States, (ii) elect to be treated as a corporation for U.S. federal income tax purposes, (iii) own the GP of a publicly-traded Midstream MLP, and (iv) generate the majority of their cash flow or revenue from midstream energy infrastructure activities including cash flow from interests in Midstream MLPs.
U.S. Midstream Companies (20%)	U.S.-listed companies that (i) have their principal place of business in the United States, (ii) elect to be treated as a corporation for U.S. federal income tax purposes, and (iii) generate a majority of their cash flow or revenue from midstream energy infrastructure related activities.
Canadian Midstream Companies (25%)	Canadian-listed companies that (i) are incorporated in Canada with a principal place of business in North America and (ii) generate a majority of their cash flow or revenue from midstream energy infrastructure related activities.
U.S. Midstream MLPs (5%)	U.S.-listed Midstream MLPs that (i) have their principal place of business in the United States, (ii) elect to be treated as a partnership for U.S. federal income tax purposes, (iii) do not pay incentive distribution rights (“IDRs”), and (iv) are not affiliates of MLP GPs that are owned in the Index.

MLPs are publicly traded partnerships that receive at least 90% of their income from certain qualifying sources, such as natural resource-based midstream energy infrastructure activities. The equity interests, or units, of an MLP trade on public securities exchanges exactly like the shares of a corporation, without entity level taxation. An MLP typically consists of a general partner and limited partners. The operations and management of the MLP are controlled by the general partner, and the general partner typically has an ownership stake in the MLP and may have certain preferential rights to income from the MLP, such as incentive distribution rights (“IDRs”). IDRs provide their owner with a larger share of the aggregate cash distributions made by a company once such distributions increase to certain specified levels and are designed to provide the holder of the IDRs with a strong incentive to increase the MLP’s aggregate cash distributions.

At the time of each quarterly rebalance of the Index, each company meeting the Index’s criteria for the above categories is included in the Index, provided that the company has a minimum market capitalization of \$500 million.

The Index is rebalanced quarterly, effective on the last trading day of each calendar quarter. Within each of the above categories, Index constituents are weighted based on their free-float market capitalization (i.e., market capitalization based on the number of shares available to the public), subject to the following constraints as of the time of each rebalance. The aggregate weight for companies treated as a partnership for tax purposes cannot exceed 20%, and any excess weight will be redistributed proportionally into non-partnership companies in the Index. Additionally, the aggregate weight of companies with individual weights greater than 5% (“5% Companies”) may not exceed 45%. If the aggregate weight of the 5% Companies would exceed 45%, the excess weight will be redistributed proportionally to companies with a weight of less than 4.25%. If at the time of a rebalance a company’s weight would be between 4.25% and 5%, the company’s weight will be reduced to 4.25% and the excess redistributed to companies with a weight of less than 4.25%. Additionally, no individual constituent may have a weight in excess of 8.75%, and any excess weight is redistributed proportionally to companies in the same category first and then to the remaining companies as needed.

Rebalancing:

Constituents will only be added (or removed) to the index for meeting (or failing to meet) the criteria during the quarterly rebalancing process.

Index will be rebalanced every quarter. Quarterly rebalancings occur two trading days prior to quarter end and are effective at the open of the next trading day. Data relating to constituent eligibility are analyzed five trading days prior to quarter end. The index shares of each constituent are then calculated according to the system described above and assigned after market close on the quarterly rebalancing date. Weights may differ on the rebalancing dates from the eligibility dates due to market moves. Special rebalancings occur on the next quarterly rebalancing date following the completion of an action such as a merger close date.

Governance:

In line with best practices.

Other information:

The index is calculated by S&P Dow Jones Indices.

Index is calculated when U.S equity markets are open.