



PARKER GLOBAL STRATEGIES, LLC

MLP Quarterly Update Third Quarter, 2012

MLPs performed well during the third quarter, helped by a more benign macro backdrop and recovery in commodity markets. The asset class outperformed broader markets in Q3 behind a strong showing in July, after commodities began to stabilize and investors seized upon MLPs that had been noticeably oversold. As short-term volatility tapered off, the focus returned to reliable, healthy current distributions, execution of long term growth strategies, new project announcements, acquisitions and financing. MLPs ended Q3 with a median yield of 6.9%, which remains very attractive by comparison with yield-based alternatives. The Federal Reserve's latest round of quantitative easing has extended the scope, and likely the duration of the current low interest rate environment, which is a dual positive for MLPs – income-hungry investors are drawn to the asset class in search of better yields, and low financing costs help facilitate new infrastructure growth initiatives. As the US energy revolution unfolds, the secular growth story for energy infrastructure will continue to play out for decades. MLPs remain uniquely positioned to provide the necessary infrastructure and logistics for processing, storing and transporting energy products throughout the US.

EXECUTIVE SUMMARY

The Quarter in Review

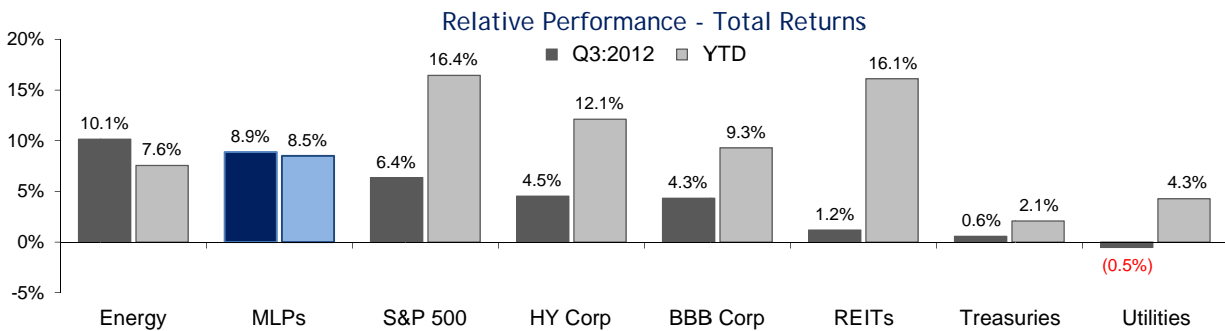
Commodity headwinds subsided in Q3, with WTI crude oil up 8.5% and natural gas up 17.6%. NGLs are up 23% since reaching lows in late June, and appear to have stabilized. Ethane pricing remains muted, but long term solutions are coming into view. As the focus of MLP investors returned to attractive valuation, healthy distribution growth and positive long term trends for energy infrastructure, MLPs staged a rebound. Sectors that sold off disproportionately earlier this year were among the strongest performers in Q3. Distribution growth came in at 1.8% Q/Q, on average, and is projected to continue at a healthy pace. Capital markets activity was robust, with issuance topping \$13 billion for the quarter. This helps finance a long, growing list of announced and contemplated projects that provide additional visibility into future cash flow and distribution growth. MLP capital investment is on track to top \$50 billion in 2012, an increase of more than 20% over 2011.

Outlook

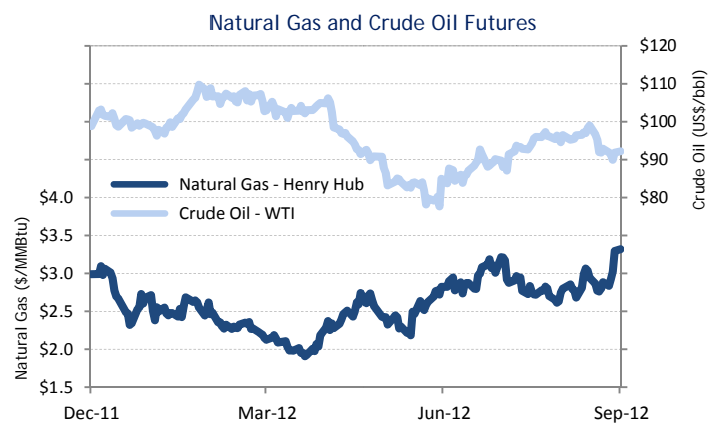
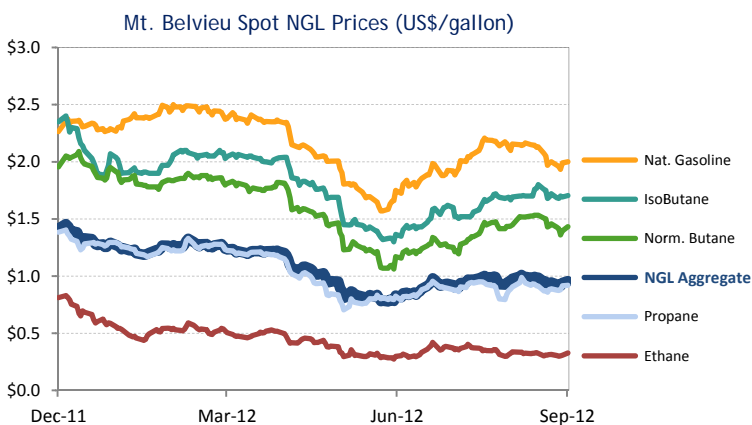
Our outlook remains positive. The US is the fastest growing energy market in the world. Domestic energy production is booming, necessitating huge investments to connect new supply sources with market centers, but also to re-work existing infrastructure as shale volumes disrupt traditional flow patterns. MLPs are positioned as a primary beneficiary of these developments, and are poised to continue investing capital to generate strong growth through this long term investment cycle. While macro risks remain, including the potential for volatility related to Europe, the US elections and the looming fiscal cliff, in our view any impact to MLPs should be manageable. The Fed appears fully committed to an accommodative policy for the foreseeable future, and both presidential candidates have expressed support for energy infrastructure development. We are constructive on MLP valuations. Given attractive yields, cash flow visibility and distribution growth, we believe that MLPs will continue to deliver superior total returns over the long term, but investors should be prepared for potential short term volatility in the event of a global "risk-off."

THE QUARTER IN REVIEW

MLPs posted strong gains as energy markets recovered during the third quarter, outperforming the S&P 500, corporate bonds and REITs, though these groups remain ahead of MLPs year-to-date. WTI crude oil closed the quarter at \$92.19/bbl, up 8.5%, while natural gas was up 17.6%, to \$3.32/MMBtu. We believe natural gas will remain oversupplied, but note that the dry gas rig count continues to decline and the arrival of colder temperatures brings the seasonal reversal of storage flows from net injections to net withdrawals, alleviating pressure on storage capacity.

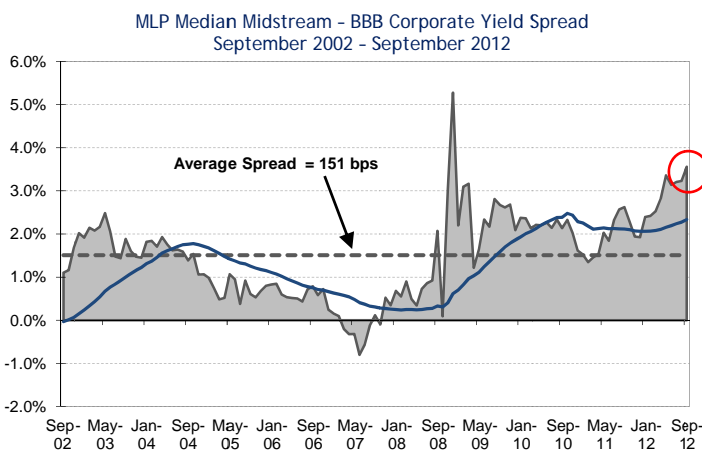
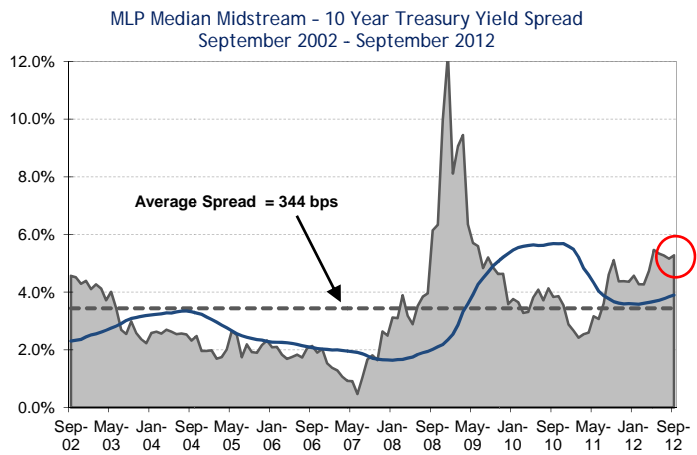


The aggregate NGL gallon price was up 15% quarter-over-quarter, and 23% since bottoming out in June. Ethane (C₂) and Propane (C₃) have trailed the heavier end of the NGL barrel (normal butane, iso-butane, natural gasoline) during this recovery. Representing 2/3 of the NGL barrel, ethane and propane have been oversupplied due to surging shale production and various temporary demand disruptions. An abnormally warm winter, and subsequent drought in the US Midwest, sapped demand for heating and crop drying, two major propane applications, while planned (maintenance) and unplanned (Hurricane Isaac) steam cracker downtime on the gulf coast impacted demand for ethane.



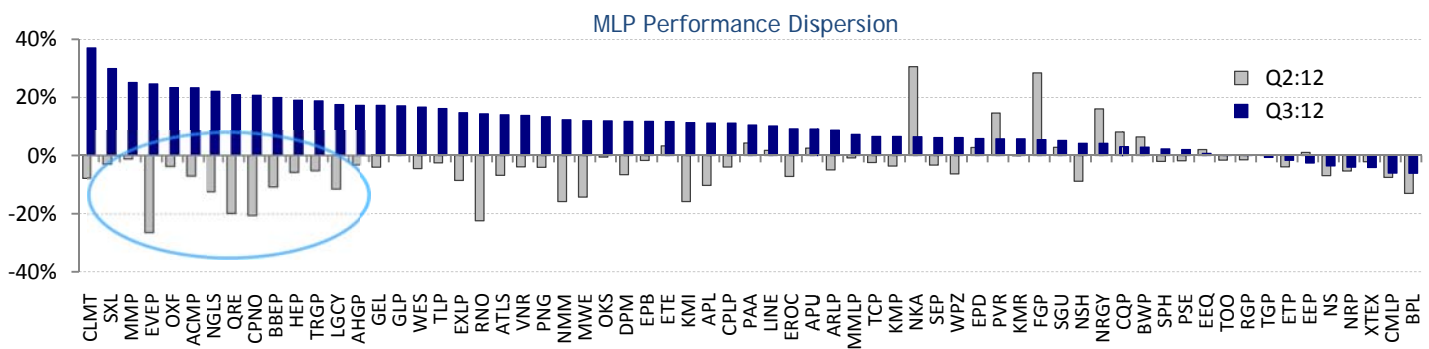
MLP yields remain attractive, particularly by comparison with corporate credit. The median Midstream MLP yield finished the quarter at 6.91%, versus 1.63% for the 10-year Treasury (both little changed), while BBB corporate bond yields tightened by 49 bps, to 3.35%. The MLP-Treasury spread stands at 528 bps, flat Q/Q,

while the MLP-BBB spread widened another 42 bps, to 356 bps. These elevated spreads paint a compelling picture for MLPs. The 10-year average spreads of Midstream MLPs to Treasuries and BBB corporates are 344 bps and 151 bps, respectively. The BBB spread has not been this wide since early January, 2009.



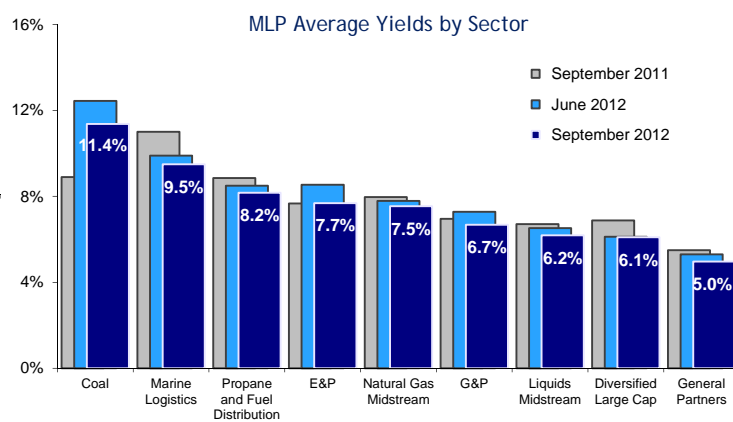
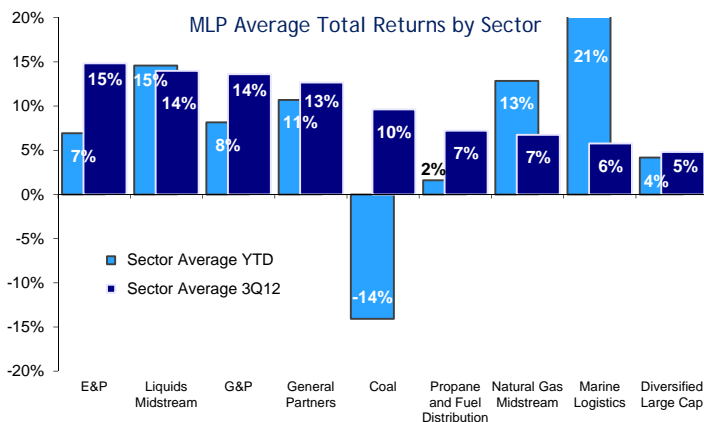
Sector Performance

Individual performance showed wide dispersion in Q3, though nearly all MLPs posted gains. Top performers fell into two groups. The first group included MLPs recovering from heavy selloffs in Q2 as the commodity backdrop improved and distributions were reaffirmed, predominantly margin-based G&P, E&P and coal names. The second group consisted of top growers, among them several of the liquids midstream providers, fee-based G&Ps and general partners. These MLPs did not suffer quite as much as the more commodity-linked partnerships in Q2, but had nonetheless sold off somewhat. Investors used the opportunity to add to growth names at attractive prices.



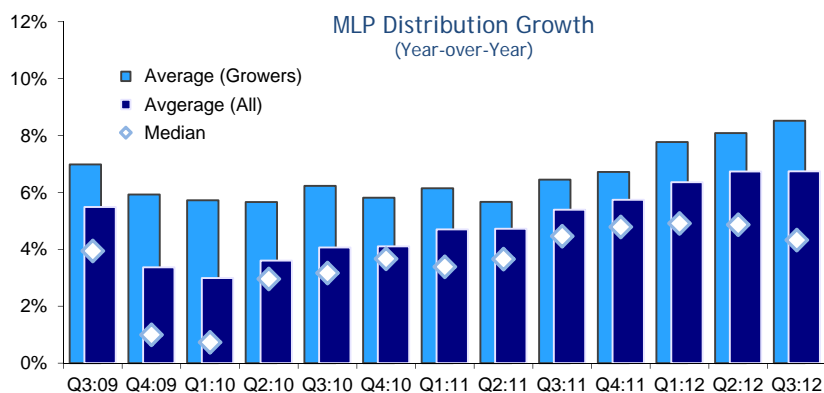
In the traditional midstream areas, the top performers for both the quarter and the year to date have been those MLPs with a focus on crude oil, refined products, or fee-based G&P. While dry gas drilling has steadily declined over the course of the year, responding to depressed prices, shale oil and NGL-directed activity continues to ramp up. This has led to strong volume growth and margin expansion in infrastructure-constrained basins. The gas/oil performance dichotomy is evident within our Diversified Large Cap bucket. The group has lagged this year, on average, and continued to trail in the third quarter, with two notable exceptions - Enterprise Products (EPD), with a focus on NGL services, and Plains All American (PAA), which focuses on crude oil logistics, have returned 20% and 35%, respectively, YTD. Ex-EPD and PAA, Diversified Large Cap MLPs are down 1% year-to-date.





Distributions

Growth continues to be robust and broad based. During the quarterly earnings season in July and August, 31 partnerships increased distributions sequentially from Q2:12 levels and 43 had higher distribution run-rates year-over-year. The average change in sequential distributions edged upward to 1.8%, while the average Q/Q growth among those that increased distributions was 3.4%. Year-over-year, the average change was 6.7% across all partnerships and 8.5% among those that had increased distributions. These figures echo the bifurcated, “haves and have-nots” theme with respect to oil and gas midstream MLPs. Among the top tier growth names, including oil and liquids-focused MLPs, distribution growth continues to accelerate. Two liquids MLPs stood out particularly this quarter – Magellan Midstream (MMP), with a 12.2% sequential increase, and Sunoco Logistics, which raised its distribution 9.9%. It was encouraging to see some of the G&P MLPs increase their distributions this quarter despite the difficulties of Q2. Ongoing project completions and new capex announcements continue to push growth visibility out farther into the future, and we now estimate average growth in the range of 6.5%+ for both 2012 and 2013.



MLP Sequential Distribution Comparison

	Q4:11	Q1:12	Q2:12	Q3:12
Average	1.3%	1.7%	1.6%	1.8%
Median	0.9%	1.1%	1.0%	1.0%
# Increases	31	32	31	31
Avg. Increase	2.3%	2.9%	2.8%	3.4%

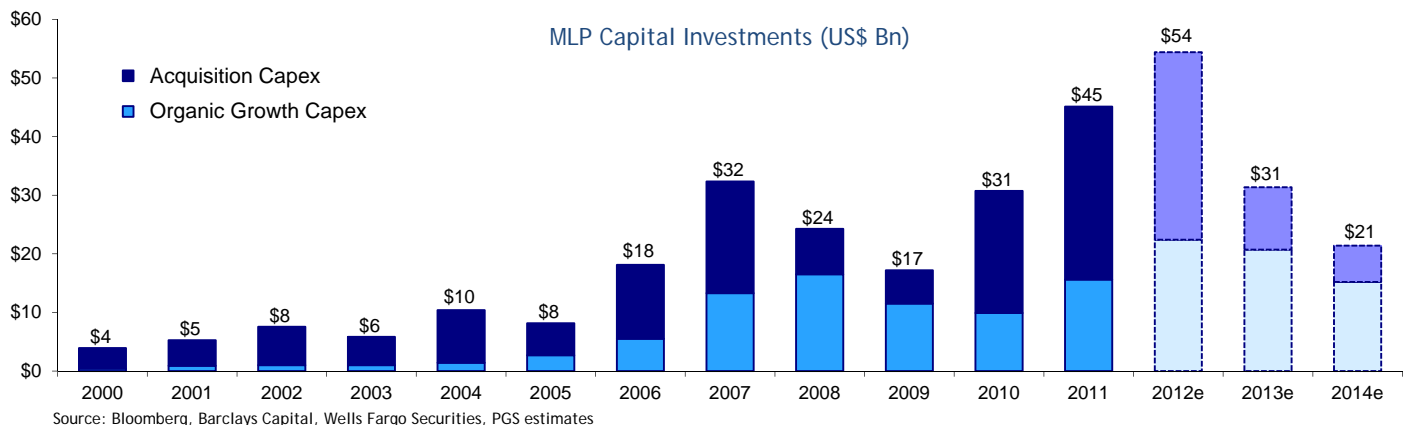
MLP Annual Distribution Comparison

	Q4:11	Q1:12	Q2:12	Q3:12
Average	5.7%	6.4%	6.7%	6.7%
Median	4.8%	4.9%	4.9%	4.3%
# Increases	47	45	45	43
Avg. Increase	6.7%	7.8%	8.1%	8.5%

Capital Investments

MLPs are on pace to spend more than \$50 billion this year on acquisitions and organic expansion projects, which represents the largest annual capital investment outlay in the history of the space. Projections are for the 2012 acquisition tally to exceed \$30 billion, while organic spending projects will likely wind up in the range of \$20+ billion. Looking out to the coming years, current estimates are for \$30+ billion to be spent in 2013, and another \$20+ billion in 2014. These are conservative estimates, which will almost certainly be

revised upward as we move forward and new projects are identified. All of this investment provides strong visibility into cash flow and distribution growth in future years.



Kinder Morgan (KMI, KMP) and Boardwalk (BWP) completed significant transactions in August. Kinder Morgan Inc. completed a \$6.3 billion drop into its KMP partnership of interstate pipeline assets from the earlier El Paso acquisition, including 100% of the important Tennessee Gas Pipeline, a 13,900 mile, 7.5 bcf/d system that transports gas from the gulf coast to the Northeast, with significant interconnections to the Marcellus/Utica production region. BWP gained a significant foothold in the NGL business with its \$625 million acquisition of PL Midstream, a privately held provider of NGL midstream services to the gulf coast petrochemical industry. Additionally, **Chesapeake Energy (CHK)** completed its sale of the Chesapeake Midstream Development (CMD) portfolio to Global Infrastructure Partners (GIP). Earlier this year, GIP purchased CHK’s 50% GP interest, along with common units of Chesapeake Midstream Partners, which subsequently changed its name to **Access Midstream Partners (ACMP)**. With GIP now in full control of both ACMP’s general partner and CHK’s former midstream assets, ACMP has achieved effective independence from CHK while keeping its compelling drop-down story intact. ACMP enjoys a G&P business that is 100% fee based.

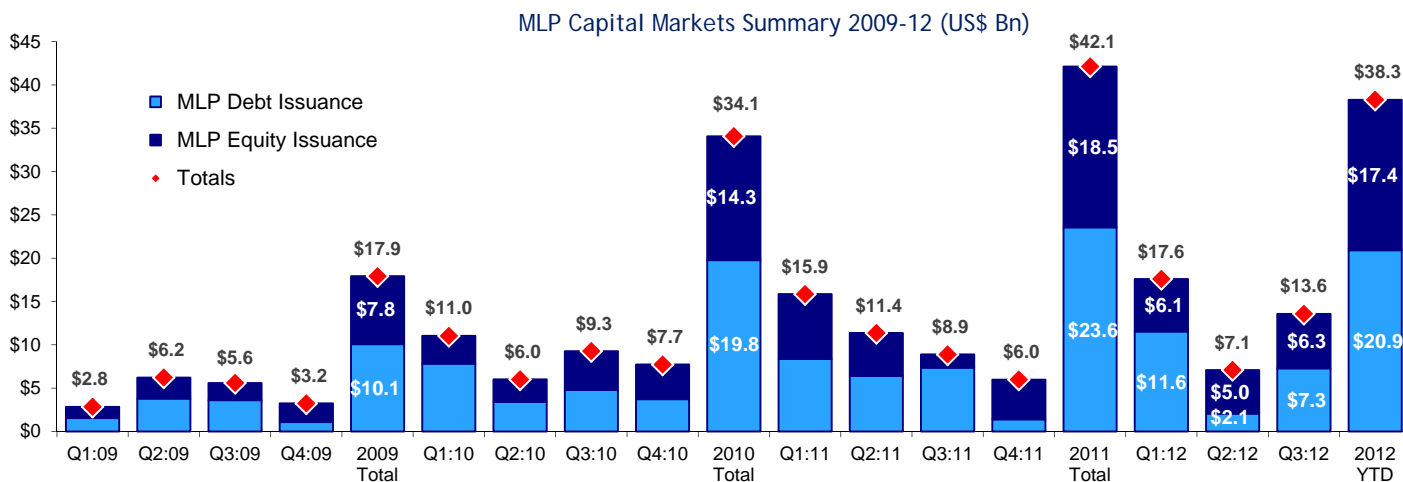
Also worth highlighting were several announcements related to upcoming NGL investments. **Williams Cos. (WMB)** announced plans to transfer ownership of its interest in a major olefins plant (ethylene cracker) in Geismar, Louisiana, to its **WPZ** partnership. When completed, the acquisition will enhance the stability of cash flows related to WPZ’s ethane production. In the Marcellus region, following the successful completion of an open season for capacity commitments in September, **Sunoco (SUN, SXL)** and **MarkWest (MWE)** jointly announced plans to move forward with their proposed Mariner East venture. Mariner East will transport NGLs via pipeline from MWE’s processing facilities in Western Pennsylvania to refining and marketing facilities at Marcus Hook, near Philadelphia. From there, Marcellus NGLs are expected to be distributed into the Northeast market, and ultimately exported to Europe. The project is anchored by long term volume commitment from **Range Resources (RRC)**, a major Marcellus producer. This is a sister project to the previously announced Mariner West system, which will transport NGLs to the petrochemical industry in Sarnia, Ontario, and joins EPD’s ATEX NGL Pipeline to the gulf coast as another important milestone in the effort to handle liquids in the prolific Northeast supply region.

Capital Markets

MLPs must raise capital to support this expansion. MLPs have been very successful in funding their growth budgets over the past few years. In the third quarter, MLPs raised approximately \$13.6 billion. On the equity

side, MLPs issued approximately \$6.3 billion in new equity, across 17 follow-on offerings, 3 private placements and 4 IPOs. We have seen more private placements of MLP units to parent/sponsor entities this year than in the recent past. Typically these deals are being used in acquisition financing, allowing sellers to maintain exposure to an asset while taking advantage of the MLP structure, and avoiding to some degree the short term impact of equity issuance on unit prices. The four new IPOs in Q3, totaling approximately \$1 billion in value, bring the year-to-date IPO count to 6. There are 10-15 more IPOs under registration, but it is difficult to say when any of them will come to market.

MLPs raised an additional \$7.3 billion in debt markets this quarter, following a drop off in debt issuance in Q2. \$4.2 billion of the total was investment grade, spread across 3 issuers and 6 bonds. The remainder, \$3.1 billion, was from 8 high yield issuers (8 offerings). This brings the total to \$38 billion year-to-date, which, based on the spending estimates that we outlined earlier, suggests the need to raise an additional \$12-15 billion this year. Capital markets appear receptive to MLPs right now. This should continue, given the accommodative stance taken by the Federal Reserve, but if market conditions deteriorate, MLPs have ample flexibility to tap into undrawn bank lines, pursue joint venture financing, issue units in private transactions, or defer certain projects into the future. In short, we are constructive on MLPs' ability to meet their financing needs going forward.



OUTLOOK

Our positive outlook for MLPs continues. Cumulative distribution growth is the ultimate driver of price and yield accretion for long term investors, and the outlook for growth remains as bright and visible as we have seen in the MLP space. Domestic energy production is booming, necessitating huge investments to connect new supply sources with market centers. Some of the richest shale formations have the least infrastructure. Existing infrastructure also must be re-worked as shale volumes disrupt traditional commodity flow patterns. There is demand to change the direction of pipelines, the products that pipelines handle, and even to change the orientation of ports and LNG facilities from import to export. Many industry participants believe that the changes in the US energy landscape are creating a multi-decade opportunity for companies involved in logistics. MLPs are positioned as a primary beneficiary of these developments, and are poised to continue investing capital to generate strong growth through this long term investment cycle. Significant acquisitions,

project announcements, and capital raised in the 2010 to 2012 timeframe provide good visibility of cash flow growth for the next several years.

Macro market risks remain, including the potential for volatility related to Europe, the US elections and the looming fiscal cliff. While acknowledging the potential for news-driven volatility to reemerge, the impact to MLPs of developments in Europe or the outcome of domestic elections should be manageable. The Fed and the ECB appear fully committed to accommodative policy for the foreseeable future, which should inoculate capital markets to some degree from further European sovereign flare ups. Regarding domestic politics, both presidential candidates have expressed support for energy infrastructure development. On balance, we think a victory for Governor Romney would be a net positive for MLPs, while President Obama’s reelection would be more neutral. The biggest risk to MLPs at the moment would be a significant global slowdown, which appears unlikely unless politicians in Washington are unable or unwilling to address the uncertainty surrounding the so-called fiscal cliff, or if the Chinese slowdown is steeper than predicted, with significant spillover to US, Asian and European economies. But even a global slowdown should not impact infrastructure spending in the US for the next few years. The oil and gas shale plays have necessitated a reworking of almost our entire system in the US.

We are constructive on MLP valuations. Given attractive yields, cash flow visibility and distribution growth, we believe that MLPs will continue to deliver superior total returns over the long term. The table below outlines various 12-month total return scenarios, assuming different levels of distribution growth and exit yields, centered on the current market cap weighted average yield of 6.15%. Exit yield scenarios show moves of 25, 50 and 100 bps on either side of the pivot. We project a base case 12-month total return in the mid to high teens from September levels, with higher returns possible if yield spreads compress towards historical norms.

		Assumed Distribution Growth					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
12-month Exit Yield	5.2%	32.5%	33.1%	33.7%	34.4%	35.0%	35.6%
	5.7%	21.3%	21.9%	22.5%	23.0%	23.6%	24.2%
	5.9%	16.5%	17.0%	17.6%	18.1%	18.7%	19.2%
	6.2%	12.0%	12.5%	13.0%	13.6%	14.1%	14.6%
	6.4%	7.9%	8.4%	8.9%	9.4%	9.9%	10.4%
	6.7%	4.1%	4.5%	5.0%	5.5%	6.0%	6.5%
	7.2%	-2.8%	-2.3%	-1.8%	-1.4%	-0.9%	-0.5%



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