ELCO MLP Separately Managed Account Program

February 2015

*See legal disclaimer page 17
ELCO is an Energy and Infrastructure focused investment manager founded in 1995.

- Managers have a combined total of 100+ years of experience researching and investing in the energy sector, 70+ years directly focused on MLPs
- ELCO employs a fundamental research driven process and utilizes a strict and comprehensive risk management approach
- Current investment opportunities offered by ELCO include two energy funds and actively managed MLP separately managed account strategy, which can be tailored to clients risk and income requirements.
- Compounded Annual Return (CAGR) for MLP SMA Program is 14.50%
- One Hedge Fund managed by ELCO has been consistently recognized as a top-ten energy focused fund by Barclays Managed Fund Report
- Assets under management are currently $300 million
- SEC Registered
What is a Master Limited Partnership (MLP)?

An MLP is a partnership whose shares (units) are traded on public exchanges.

MLPs are yield oriented vehicles comparable to utilities and REITS.

Similar to REITs, MLPs are tax efficient corporate structures. MLPs pass all income, gains, losses, and tax deductions to limited partner investors (LPs). MLP distributions (dividends) are typically 70-90% tax deferred and can offer estate planning benefits.

To qualify as an MLP, more than 90% of a company’s revenue must be derived from the extraction, transportation, processing, storage or distribution of a natural resource. These assets are typically long-lived and produce stable free cash flow.

Master Limited Partnerships (MLPs) are at the leading edge of building, acquiring, maintaining, and managing the core energy infrastructure in North America.

There are more than 100 MLPs. A majority of MLP’s operate in the pipeline sector and MLPs operate almost half of US pipeline miles.

Over the past decade, MLPs have provided superior returns with lower risk compared to stocks and bonds.
MLP Outlook

- MLPs have abundant organic growth opportunities. In the past five years alone, MLPs have invested ~$100 billion in new infrastructure—impressive relative to their current market capitalization of ~$500 billion.

- MLPs are well positioned to benefit from the significant infrastructure needs associated with emerging shale gas resources:
  - Unconventional gas resources are forecast to grow from 8.0 Tcf in 2008 to between 16.1 and 22.4 in 2030
  - Shale developments occurring in non-traditional locations requiring new pipelines
  - Expanding need for natural gas storage in new production basins
  - Growing need for natural gas processing capacity

- Further opportunity exists in capacity additions in the intrastate pipeline network. INGAA, the US pipeline trade group, estimates $640 billion of investment is required to meet demand growth over the next 20 years.

- With an average yield of ~5.00% and estimated high single-digit distribution growth, MLPs are poised to provide continued attractive total returns.

Source: Wells Fargo Bloomberg

Current Yield: 5%
3-Year Distribution Growth Estimate: 7%
Total Return Potential: 12%

+ =

Source: Wells Fargo Bloomberg
Outlook: Energy Trends Lead to Increased Growth for MLPs

Fundamental changes in the U.S. energy industry are creating significant opportunities to invest in North American energy infrastructure as new shale plays are typically in regions with little or no take-away or processing infrastructure.

- Shifting North American supply basins – Oil and Natural Gas Shale plays, Canadian oil sands, Rocky Mountains & LNG- all present growth opportunities for energy infrastructure players.

- Shale “haves and have not” - market has bifurcated companies that have significant exposure to shale.

- Companies in hotter plays have out-performed (Eagleford, Marcellus, Permian, Bakken).

- IOC's and Majors have made sizeable investments (JV’s – Chevron, Exxon, Reliance, CNOC).


- Political backdrop - Washington encouraging more development of domestic energy to support job growth and national security.

![Shale Gas Plays, Lower 48 States](image-url)
MLP Overview

The MLP universe has grown substantially in the past 15 years; from a small number of niche investments to over 100 companies and over $400 billion of market capitalization rivaling the US utility sector in size.

Current Energy MLP Landscape

MLPs have several subsectors that offer varied growth and risk profiles making stock selection and portfolio management significantly more consequential.

MLP Risk Profile

Least Commodity Sensitive

Most Commodity Sensitive
Recent Performance of an ELCO MLP Account*

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
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<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<td>-2.95</td>
<td>5.19</td>
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<td></td>
<td></td>
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<td>2014</td>
<td>2.46</td>
<td>2.36</td>
<td>1.37</td>
<td>3.36</td>
<td>5.82</td>
<td>9.12</td>
<td>-3.70</td>
<td>6.24</td>
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<td>-7.65</td>
<td>-3.41</td>
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<tr>
<td>2013</td>
<td>9.93</td>
<td>3.82</td>
<td>5.73</td>
<td>1.67</td>
<td>-1.39</td>
<td>2.57</td>
<td>1.15</td>
<td>-1.96</td>
<td>1.83</td>
<td>2.70</td>
<td>2.19</td>
<td>3.18</td>
<td>35.70</td>
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<td>2012</td>
<td>1.57</td>
<td>4.93</td>
<td>-3.07</td>
<td>1.49</td>
<td>-8.47</td>
<td>1.90</td>
<td>5.57</td>
<td>4.47</td>
<td>4.13</td>
<td>-0.30</td>
<td>-0.88</td>
<td>-1.06</td>
<td>9.79</td>
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<tr>
<td>2011</td>
<td>2.09</td>
<td>6.45</td>
<td>0.95</td>
<td>3.82</td>
<td>-5.08</td>
<td>0.53</td>
<td>-2.50</td>
<td>-2.14</td>
<td>-4.79</td>
<td>8.01</td>
<td>0.89</td>
<td>6.12</td>
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<tr>
<td>2010</td>
<td>0.74</td>
<td>4.62</td>
<td>4.40</td>
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<td>-4.76</td>
<td>9.04</td>
<td>5.37</td>
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<td>7.32</td>
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<td>2009</td>
<td>16.08</td>
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<td>1.61</td>
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<td>14.64</td>
<td>-3.04</td>
<td>6.20</td>
<td>2.81</td>
<td>8.52</td>
<td>9.24</td>
<td>99.27</td>
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</table>

Recent performance has benefited from the significant growth opportunities surrounding the various shale plays and demand for infrastructure associated with those plays.

Investors have emphasized high yielding securities, MLPs average yield of 6% with average distribution growth on ~6-8% offers a compelling total return potential.

M&A activity – Kinder Morgan/Hiland, Energy Transfer/Regency Williams/Access, Enterprise/Oil Tanking.

*ELCO MLP Program inception was on February 4, 2004. The monthly performance up to June 2014 has been provided by Advent Accounting and Portfolio Management, the monthly performance starting July 2014 is being provided by J.P. Morgan and represents an existing long only account, which includes a 1.5% management fee, results are not audited. Prior to January 2013 the management fee was 1.4%. Past performance is not indicative of future results of the program.
Active Management

At ELCO, the preferred method of investing in MLPs is through an actively managed separate account.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>2015 YTD Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELCO MLP SMA*</td>
<td><strong>2.09%</strong></td>
</tr>
<tr>
<td>Alerian MLP Index</td>
<td>-1.03%</td>
</tr>
<tr>
<td>JP Morgan Alerian MLP (ETN)</td>
<td>-1.65%</td>
</tr>
<tr>
<td>Alerian MLP (ETF)</td>
<td>-0.92%</td>
</tr>
<tr>
<td>Clearbridge Energy MLP Opportunity Fund (closed-end fund)</td>
<td>-4.10%</td>
</tr>
<tr>
<td>FAMCO Advisory MLP &amp; Energy Fund (open-end mutual fund)</td>
<td>1.22%</td>
</tr>
</tbody>
</table>

- The chart above displays the disparate range of performance of just a few of the investment vehicles in the MLP space.
- The Alerian MLP Index, the industry benchmark, where the top six MLP positions comprise almost 50% of the total Index (see below).
- Most MLP investment options are structured to track the Alerian Index. Performance of these investment vehicles suffered as some of larger allocations unperformed in 2014, especially Kinder Morgan.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Products Partners LP</td>
<td>17.5%</td>
</tr>
<tr>
<td>Energy Transfer Equity LP</td>
<td>8.5%</td>
</tr>
<tr>
<td>Magellan Midstream Partners LP</td>
<td>7.6%</td>
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<tr>
<td>Plains All-American LP</td>
<td>7.5%</td>
</tr>
<tr>
<td>Williams Partners LP</td>
<td>4.9%</td>
</tr>
<tr>
<td>Markwest Energy Partners LP</td>
<td>4.6%</td>
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</table>

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Organizational Structure

“Cycle-tested” Team With Demonstrated Performance

Paul Elliot, CFA
Founder & CEO

Daniel Tulis, CFA
Chief Investment Officer

James Elliot, CFA
Senior Portfolio Manager

William Maze
Strategist/Portfolio Manager

Mayra Santos
Operations/Client Relations

Paul Doran
Analyst/Trader

Marianne Spedale
Office Manager

Michael Stolzar, Esq
Outside Legal Counsel
Management Team

Energy Value-Chain Experience Creates the Competitive Advantage

Paul Elliot, CFA  Founder and CEO
- More than 30 Years of Research and Asset Management Experience
- Expertise in Energy Infrastructure, Electrical Equipment, Master Limited Partnerships (MLPs)
- Served as Senior Research Analyst, Portfolio Manager and Partner at Cowen & Co. for 20 years
- CFA Designation 1972

Daniel Tulis, CFA  Chief Investment Officer
- More than 30 Years Research Experience
- First Research Analyst Covering Energy Master Limited Partnerships (MLPs)
- Headed the Electric Power, Natural Gas, MLP Research as Senior Managing Director at Banc of America, S. Barney & Shearson Lehman
- Ranked as an All Star for 10 years by Institutional Investor Magazine (#1 in 1994)
- Expertise in Electric and Natural Gas Utilities, Oil and Gas Exploration/Production, Energy Infrastructure, MLPs, Energy Technology, and Special Situations
- CFA Designation 1968

James Elliot, CFA  Portfolio Manager and Senior Analyst
- More than 10 Years Research and Portfolio Management Experience
- Cowen Asset Management, Portfolio Manager, Research Analyst, Trader
- Co-Managed a $1 Billion Large Cap Core Portfolio - Invested Sectors: Financial, Technology, Consumer Staples, Consumer Discretionary, Health Care, etc.
- Expertise in Power Technology, Alternative Energy and MLPs,
- CFA Designation 1995

William Maze, Strategist and Portfolio Manager
- More than 18 Years Research and Portfolio Management Experience
- Co-Managed $1.7 Billion energy-infrastructure and utility portfolio for Ecofin Ltd. Headed Neuberger Berman’s Utility, MLP, Coal and Energy Technology research.
- Consistently recognized for his research, valuation and stock selection skills in leading institutional research polls and was ranked by The Wall Street Journal as the number-one stock picker in his sector
- Expertise in Power, Natural Gas and MLPs,

Paul Doran, Analyst, Trader, Risk Officer
- More than 7 years Research, Trading, and Risk Management
- Expertise in Oil and Gas Exploration/Production, Energy Services, Energy Infrastructure, MLPs
ELCO primarily focuses in securities of companies in the “Energy Value Chain” with a particular focus on the natural gas and power portion of the energy industry, given the disruptive nature and growing investment opportunities created by the shale revolution as well as the increasing use of gas in power generation.

The Energy value chain offers a large opportunity set and full range of investment styles in order to adapt to changing market conditions.

Energy Infrastructure Value Chain

(Enterprise Value $4,250B, 500+ companies)

- Upstream Fuels
  - EV $2,300 billion, ~325 companies
  - Majors
  - Independent Oil & Gas
  - Coal
  - Liquefied Natural Gas
  - Services
- Pipes and Transcos
  - EV $500 billion, ~100 companies
  - Pipelines & Transmission
  - Services
  - Gathering & Processing
  - Storage
  - E&C
- Power
  - EV $275 billion, ~20 companies
  - Nuclear
  - Natural Gas-fired
  - Coal-fired
  - Renewable/Alternatives
  - E&C
- Utilities & Distribution
  - EV >$1,100 billion, ~130 companies
  - Energy Delivery (Regulated/Unregulated)
  - Energy Efficiency
  - Smart Grid
  - E&C

<table>
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<tr>
<th>Sub Sector</th>
<th>GARP</th>
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<th>Value</th>
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</table>

Source: Bloomberg
Investment Strategy

• We strive to maximize total return by systematically allocating capital to the most advantageous MLP subsectors based on relative risk and return

• To capitalize on the longer-term investment horizon unique to energy value chain assets—a capital intensive industry providing essential services

• Take advantage of shorter term themes through a discipline approach within a relative value framework

• Capitalize on event driven opportunities

• The investment strategy is managed for all market environments, emphasizing both top-down macro analysis and bottom-up fundamental research

• Total return focus with an emphasis on current income in a risk controlled framework
Investment Process

- ELCO employs sector expertise and an intensive bottom-up fundamental research driven process
- Top down themes are developed by analyzing current industry trends
- Positions are modeled and selected on several criteria including:
  - Earnings leverage to broader themes
  - Strength of management
  - Potential upside to fundamental price target
  - Earnings stability and growth potential
  - Free cash flow growth potential
  - Dividend/distribution coverage ratio and quality of cash flow
Risk Management

Risk Management:

• We strive to maximize total return by systematically allocating capital to the most advantageous MLP subsectors based on relative risk and return.

• Initial position size is based on risk and reward assessment. This ensures that best ideas are more heavily weighted in the portfolio and that new ideas cross a threshold of relative potential to be included.

• 8% maximum position size at cost, 12% maximum at market

• Top 10 no more than 60%

• Liquidity: 1 to 3 days to exit per stock and as a portfolio

• Concentration: 20-30 names based on risk reward opportunities

Trading Rules & Monitoring:

• Down 5% - 10% requires automatic review

• MLPs in most cases are indirectly or directly exposed to energy prices. We monitor and analyze energy prices to gauge potential impact on MLPs earnings and distribution coverage.

• Production volumes and capacity contracting prices impact MLPs. We monitor each basin and participating exploration companies to gauge production expectations to stay ahead of any potential issues.

• From time to time MLPs will issue equity for growth projects and acquisitions. We monitor equity needs and attempt to capitalize on associated unit price weakness.

• We are focused on the outlook for interest rates
Portfolio Structure

Portfolio Terms

- **Long only**: Yes
- **Leverage**: None
- **Liquidity**: Daily
- **Position Level Transparency**: Real-time
- **Lock-ups, gates, suspensions, etc**: No
- **Ownership of assets by investor**: Yes
- **Power to revoke a manager’s trading authority at any moment**: Yes
- **Segregation of assets**: Yes
- **Contractual investment covenants**: Yes
- **Flexibility to make intra-month re-allocations**: Yes
- **Minimum Subscription**: $250,000
- **Management Fee**: 1.5%
- **Commissions**: None
- **Subscriptions/Redemptions**: Daily
- **Custodian Bank**: J.P. Morgan

Portfolio Metrics

- **Turnover**: 30%
- **Average Number of Positions**: ~25
- **Average Portfolio Yield**: 6%

Current Assets Under Management

- **Total Assets (Strategy)**: $100,000,000
- **Total Assets (Firm)**: $300,000,000
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