



# XLTY

A CUSHING® SECTOR PLUS ETF

## CUSHING® INTRODUCES SECTOR PLUS ETFs

**Cushing® Asset Management** is an investment firm with deep experience in the energy, materials, and industrials sectors. Cushing invests in companies across the entire energy supply chain, ranging from upstream to downstream and everything in-between. The firm's definition of downstream not only encompasses refiners of crude oil and natural gas products but also commercial consumers of these products, such as industrial, transportation, materials companies, and utilities.

The firm's products include private funds, registered open and closed end funds, separately managed accounts, and indices. It is the firm's index offering that forms the basis for the new Sector Plus ETFs. The sectors represented in the new ETF suite include energy, energy supply chain (which includes both energy and materials companies), transportation, and utilities. The firm's "Plus" is MLPs. Select MLPs from the firm's Cushing® 30 MLP Index are included in the sector indices and thus, are included in the ETFs.

Cushing Asset Management believes energy, industrial, and materials companies serve as a vital component to modern society and deserve investment. You probably do as well, but the focus here is why we believe the yield weighted approach to that exposure is a differentiated benefit to your portfolio construction.

## CUSHING® TRANSPORTATION & MLP ETF

Cushing Transportation & MLP ETF (XLTY) seeks to replicate the performance of the Cushing® Transportation Index (CTRI). The index selects its constituents from companies within the Dow Jones Transportation Average (TRAN) and MLPs within the Cushing 30 MLP Index (MLPX) at a 76% and 24% weighting, respectively. The Dow Jones Transportation Average tracks the performance of large-cap transportation stocks. MLPX tracks the performance of midstream energy companies who typically are involved in the transportation and storage of natural gas, crude oil, and refined products.

## WHY COMBINE TRANSPORTATION & MLPs?

The business lines of companies in MLPX may be viewed as complementary to those in the Dow Jones Transportation Average as companies in both indices are involved in transportation. MLPs are generally located within the midstream portion of the energy supply chain. Midstream companies are primarily involved in the transportation and storage of crude oil, refined products, and natural gas. Companies in TRAN are involved in the transportation of goods and providing services. TRAN includes airlines, delivery services, railroads and trucking firms. Additionally, some firms within TRAN are involved in transporting both crude oil and refined products and processed energy products. Finally, companies within TRAN are also energy consumers and, as such, provide some exposure to the downstream portion of the energy supply chain.

## EXPOSURE TO TRANSPORTATION STOCKS AND MLPs

The index seeks an emphasis on current income by reweighting the stocks in the Dow Jones Transportation Average based on yield and by including MLPs. What do these steps seek to accomplish?

**Yield Focus:** The Index's methodology seeks to reweigh Dow Jones Transportation Index constituents based on their indicated yield. In effect, stocks with higher dividend yields are given larger weights in the index, but are capped at 6% of the Index, with a minimum exposure of 1%. This is designed to help the index seek to achieve a higher yield versus the TRAN. The chart in the next column shows that the dividend yield of CTRI is 3.83% versus 1.60% for TRAN.

The addition of MLPs, which are represented by 12 constituents from the Cushing 30 MLP Index at 2% each, is designed to help boost the yield of the index as MLPs have historically distributed a large portion of their earnings to unit holders.

**Greater Diversification:** Weighting by market capitalization can result in larger stocks receiving a larger weighting in an index. This could create high concentration in a small number of constituents and result in a relatively few stocks dominating the overall performance of the index. Reweighting by fundamental factors, such as dividend yield and limiting exposure to individual constituents, can help to reduce that concentration risk. The chart below highlights that, as of March 31, 2019, the top 5 names in the Dow

Jones Transportation Index represented nearly 45% index's market capitalization versus only 30% in the Cushing Transportation Index.

3/31/19	TRAN	CTRI
Mkt Cap (Mil)	35,856	27,169
Indicated Yield	1.60%	3.83%
Top 5	44.70%	30.19%
Top 10	71.26%	56.01%
Number	20	28
Active Share		38.30%
Name Overlap		80.00%

*Performance data quoted represents past performance; past performance does not guarantee future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please visit [cushinggetfs.com](http://cushinggetfs.com) for fund performance.*

CTRI includes MLPs selected from the Cushing® 30 MLP Index, but CTRI's methodology does not call for the inclusion of all of MLPX's constituents. Of the 30 constituents in MLPX, 12 constituents ranked 6-17 on indicated yield are selected and equal-weighted. Included MLPs are the higher-ranking MLPs in the index, but not those that might be experiencing financial distress. The inclusion of constituents from MLPX is designed to increase diversification in the index by adding more names and delivering exposure to companies not currently in the Dow Jones Transportation Average.

## ROUNDING OUT OVERALL TRANSPORTATION EXPOSURE

Including MLPs in the index can help to increase diversification in the index and to round out investor's exposure to the overall transportation sector. Midstream energy companies are usually involved in the transportation and storage of natural gas, crude oil, and other related hydrocarbons. Some are organized as MLPs. MLPs are excluded from the Dow Jones Transportation Average. Including MLPs in the index is designed to provide access to a segment of the transportation sector that is complementary.

## WHAT ABOUT RISK?

The reweighting of the index is designed to create a benchmark which, while still large-cap oriented, has a lower weighted average market capitalization with a potentially higher expected dividend yield than its underlying indices. Reweighting is designed to reduce individual constituent concentration and the inclusion of MLPs is designed to add diversification of names.

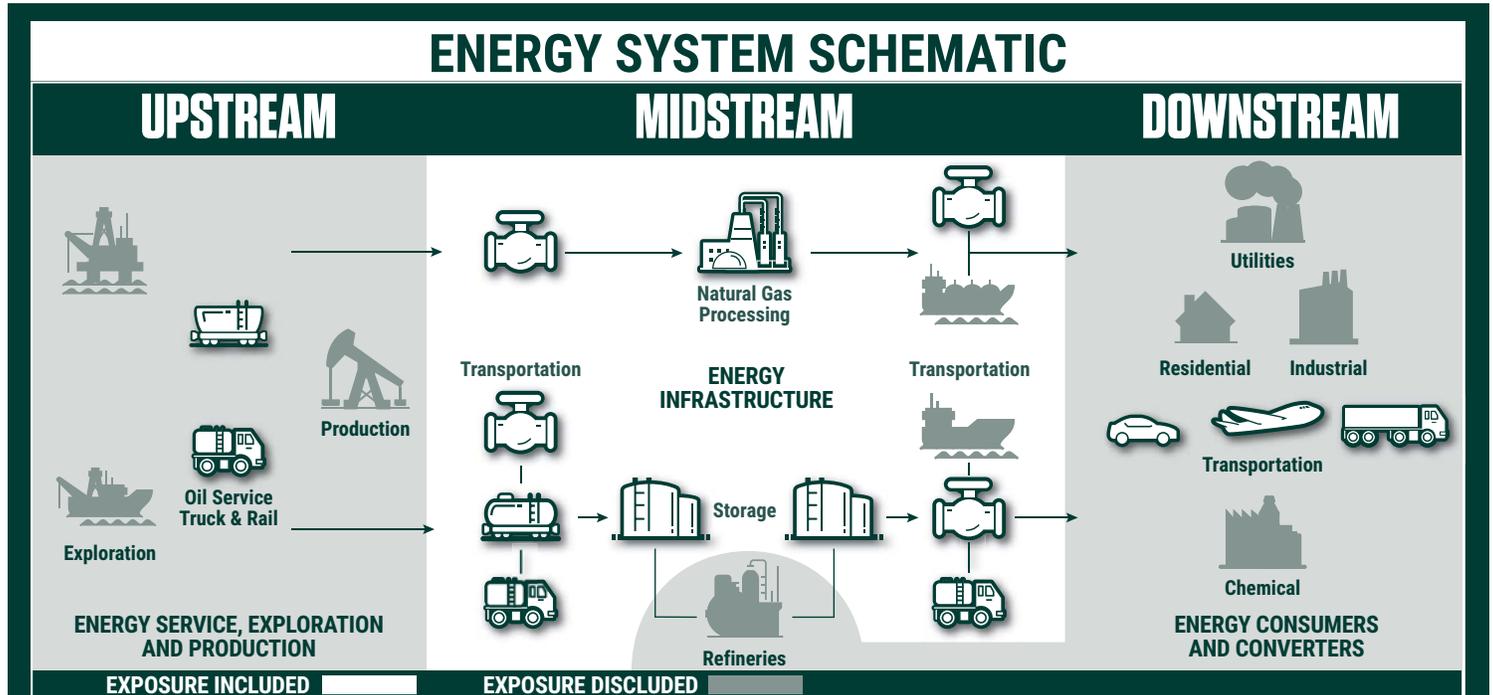
## WILL RISING RATES HURT THE PORTFOLIO?

Rising interest rates often pose a challenge to products which focus on yield. After all, why take a risk on equities when less perceived risky alternatives, such as bonds, may offer more competitive yields when rates rise? However, remember that 76% of the index is represented by stocks within the Dow Jones Transportation Average, just at different weightings. To the extent that investors are concerned about a sell-off in transportation stocks overall should dictate their level of concern with this product.

## WHY KEEP MLPs TO JUST 24% OF THE INDEX?

The weighting of MLPs in the index is limited to 24%. Why is this number significant? MLPs are limited to 25% by the Internal Revenue Service for an investment company to qualify for pass through tax treatment as a Regulated Investment Company (RIC). First, since the index caps the MLP weighting at 24%, the fund will not need to be structured as a C-corporation, which would subject capital gains and distributions to potential taxes at the fund level.

Second, the MLP limits will mean that there will be no schedule K-1 tax forms issued by the fund (investors will receive a Form 1099).



## XLTY: CUSHING<sup>®</sup> TRANSPORTATION and MLP ETF

**TRANSPORTATION 76%**

**MLPs & MIDSTREAM 24%**



Road and Rail



Air Freight and Logistics



Airlines & Marine



Transportation, processing, and storage of crude oil, natural gas, and products

### POSITIVE ATTRIBUTES:

- Focus on yield
- Potential lower concentration in individual transportation companies
- Greater diversification through inclusion of MLPs, which are not currently allowed constituents in the Dow Jones Transportation Average

### THIS FUND MAY BE APPROPRIATE FOR:

- Investors seeking transportation exposure
- Income-focused investors who could also take a view on transportation stocks
- Investors looking for a diversified approach to transportation

## WHAT ABOUT FEES AND EXPENSES?

The bottom line is how much does the product cost and is it worth it? The answer is that the fund's total expense ratio is 0.65% and yes, we believe it is. While the total expense ratio for XLTY is 0.65%, XLTY offers significant potential advantages such as a focus on yield, potential lower concentration, and greater diversification through MLPs which are not included in the Dow Jones Transportation Average. As you survey the current transportation ETFs, we invite you to evaluate yield, after subtracting total fees and expenses, for comparison purposes as possibly an improved metric.

## SUMMARY

XLTY seeks to replicate the performance of the Cushing Transportation Index. The index is designed for investors seeking exposure to transportation and energy companies with a focus on current income. The potential advantages come in the form of yield focus, access to a segment of the transportation sector not represented in the Dow Jones Transportation Average and, consequently, potential lower concentration and greater diversification.

### Disclosure

An investor should consider the investment objective, risks, charges and expenses of the Fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800-617-0004 or visit [cushingetfs.com](http://cushingetfs.com). Please read the prospectus and summary prospectus carefully before investing.

*Investing involves risk. Principal loss is possible. Fund shares are bought and sold at market price (not NAV) and are not individually redeemable and will be issued and redeemed at their NAV only through certain authorized broker-dealers in large, specified blocks of shares called creation units and otherwise can be bought and sold only through exchange trading. Creation units are issued and redeemed principally in kind. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. As with all index funds, the performance of the Fund and its Index may differ from each other for a variety of reasons. For example, the Fund incurs operating expenses and portfolio transaction costs not incurred by the Index. In addition, the Fund may not be fully invested in the securities of the Index at all times or may hold securities not included in the Index.*

*The Fund's assets will be concentrated in the energy and transportation sectors, so it will be more effected by the those sectors' performance. Master Limited Partnerships (MLPs) concentrate investments in the natural resource sector and are subject to the risks of energy prices and demand and the volatility of commodity investments. MLPs are subject certain risks inherent in the structure of MLPs, including complex tax structure risks, the limited ability for election or removal of management,*

*limited voting rights, potential dependence on parent companies or sponsors for revenues to satisfy obligations, and potential conflicts of interest between partners, members and affiliates.*

*The potential tax benefits from investing in MLPs depend on them being treated as partnerships for federal income tax purposes. If the MLP is deemed to be a corporation then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the Fund which could result in a reduction of the Fund's value.*

The S&P 500 Index is an index of 500 stocks used industry wide as a macro level indicator of the overall U.S. equity market. The Dow Jones Transportation Average represents the stock performance of large, well-known U.S. companies within the transportation industry. It is not possible to invest in an index.

Diversification does not assure a profit nor protect against principal loss in a declining market.

**Dividend yield** – annual dividend per share divided by price per share.

**Indicated yield** – most recent dividend per share multiplied by the number of dividends per year and divided by the current price per share. **Active share** – exposure percentage of CTRI constituents that differ from TRAN.

Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Fund nor any of its representatives may give legal or tax advice

The Cushing Transportation & MLP ETF is distributed by Quasar Distributors, LLC. Quasar Distributors, LLC is affiliated with U.S. Bank Global Fund Services, LLC.