

# Introduction to Cushing® Sector Plus ETFs

Cushing® Sector Plus ETFs were designed with the goal of providing investors with broad exposure to the energy supply chain and its related sectors. The ETFs seek to replicate the performance of the Cushing Asset Management (Cushing) series of sector indices. These indices select securities from the S&P 500 Energy, S&P 500 Materials, Dow Jones Transportation Average Index, and the S&P 500 Utilities Indices. In addition, the Cushing indices select constituents from the Cushing® 30 MLP Index. These indices are designed for investors seeking exposure to companies within the energy supply chain with a focus on current income.

## **Targets Wider Exposure to the Energy Sector**

The energy supply chain is primarily composed of three segments. The upstream segment includes companies that are involved in the exploration and production of crude oil and natural gas as well as energy service companies. The midstream segment is involved in the gathering, processing, transportation, and storage of crude oil, natural gas and related energy products. The downstream segment includes energy consumers and converters such as refineries and chemical companies.

How do the indices that the Cushing ETFs track seek to provide access to the energy sector?

First, the Cushing sector indices include energy master limited partnerships (MLPs). Why is this significant? Many midstream companies are organized as MLPs. As such, they are not eligible for inclusion in the S&P 500 Index or in any of its sub-indices.

Second, the Cushing indices include industrial consumers of energy products in the downstream segment. This includes chemical, materials, transportation, and utility companies. Other energy sector indices only include refining and marketing companies in the downstream segment.

## **Targets Higher Income While Reducing Concentration**

The Cushing sector indices selects constituents from various S&P 500 Index and Dow Jones sector indices, which are weighted by market capitalization. Cushing then re-weights the constituents of these indices by their indicated dividend yield.

We believe this re-weighting process has two potential benefits. First, it emphasizes a focus on yield. Second, it has the potential to reduce constituent concentration in the index. Market Cap weighting results in the larger companies in an index receiving a higher weighting. Thus, an index can be dominated by a small number of stocks. Yield weighting may help to reduce that concentration.

Cushing also includes MLPs in the underlying indices. We believe that MLPs are often recognized as yield oriented investments in energy transportation businesses. Thus, the inclusion of MLPs is consistent with the focus on yield. The addition of MLPs may also help to increase diversification by adding exposure to companies not currently in the S&P 500 indices.

## **Why Limit MLPs to Less than 24% Of an Index?**

By keeping the weighting of MLPs under 25% of each portfolio, the Cushing® Sector Plus ETFs seek to qualify for pass-through treatment as a Regulated Investment Company (RIC) under the Code. Thus, no ETF will be subject to potential taxation on capital gains and distributions at the fund level. In addition,

none of the Cushing® Sector Plus ETFs will issue a Schedule K-1 to investors. Rather, investors will receive a Form 1099.

### **Summary**

Investors who are interested in broad exposure to the energy supply chain and want the potential for income may wish to consider investing in the Cushing® Sector Plus ETFs.

The Cushing® Energy & MLP ETF (XLEY) seeks to replicate the performance of the Cushing® Energy Index.

The Cushing® Energy Supply Chain & MLP ETF (XLSY) seeks to replicate the performance of the Cushing® Energy Supply Chain Index.

The Cushing® Transportation & MLP ETF (XLTY) seeks to replicate the performance of the Cushing® Transportation Index.

The Cushing® Utility & MLP ETF (XLUY) seeks to replicate the performance of the Cushing® Utility Index.

The Cushing® Sector Plus ETFs seek to provide broad exposure to the energy supply chain by including MLPs and industrial consumers of crude oil and natural gas.

Investors looking for comprehensive exposure to the energy supply chain may be well-served by considering the Cushing® Sector Plus suite of ETFs.

### **Disclosure**

**An investor should consider the investment objective, risks, charges and expenses of a 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 Funds are non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Funds are more exposed to individual stock volatility than a diversified fund. As with all index funds, the performance of each Fund and its Index may differ from each other for a variety of reasons. For example, each Fund incurs operating expenses and portfolio transaction costs not incurred by the Index. In addition, each Fund may not be fully invested in the securities of the Index at all times or may hold securities not included in the Index.***

***Each Fund's assets will be concentrated in the energy sector, so it will be more effected by the energy sector's 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.***

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

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 Funds nor any of their representatives may give legal or tax advice.

Cushing® Energy Index (CENI) tracks the performance of large cap energy companies selected from the S&P 500 Energy Index and master limited partnerships (MLPs) selected from the Cushing® 30 MLP Index.

Cushing® Energy Supply Chain Index (CSCI) selects its constituents from the S&P 500 Energy Index, the S&P 500 Materials Index, and MLPs in the Cushing 30 MLP Index.

The Cushing® Utility Index (CUTI) selects its constituents from companies within the S&P 500 Utility Index and MLPs within the Cushing 30 MLP Index.

Cushing® Transportation Index (CTRI) selects its constituents from companies within the Dow Jones Transportation Average and MLPs within the Cushing 30 MLP Index.

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 S&P 500 Energy Index (SPN) comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector. The S&P 500 Materials Index (S5MATR) comprises those companies included in the S&P 500 that are classified as members of the GICS materials sector. The S&P 500 Utilities Index (S5UTIL) comprises those companies included in the S&P 500 that are classified as members of the GICS utility sector. The Dow Jones Transportation

Average (TRAN) represents the stock performance of large, well-known U.S. companies within the transportation industry. Cushing 30 MLP Index (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.

It is not possible to invest directly in an index.

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

The Cushing Sector Plus ETFs are distributed by Quasar Distributors, LLC.

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