



# XLSY

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, chemical 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® ENERGY SUPPLY CHAIN & MLP ETF

**Cushing Energy Supply Chain & MLP ETF (XLSY)** seeks to replicate the performance of the Cushing® Energy Supply Chain Index (CSCI). The index selects its constituents from the S&P 500 Energy Index (SPN), the S&P 500 Materials Index (S5MATR), and MLPs in the Cushing 30 MLP Index (MLPX) at a 38%, 38%, and 24% weighting, respectively. The S&P 500 Energy Index tracks the performance of large-cap energy stocks. The S&P 500 Materials Index tracks the performance of large-cap materials stocks including chemicals, construction materials, containers and packaging. 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.

### HOW THE INGREDIENTS FIT TOGETHER

Combining stocks from these separate indices provides exposure to the entire energy supply chain from the time when energy in the form of crude oil or natural gas is extracted from the ground to its use in industrial products. Holding stocks in the S&P Energy Index provides exposure mainly to upstream (or energy exploration and production) and downstream companies (refining and marketing). The addition of MLPs provides exposure to the midstream or transportation and storage portion of the energy supply chain. Finally, the portfolio gains exposure to the downstream portion of the energy supply chain by holding materials companies, or the industrial users of processed and refined energy products.

### EXPOSURE TO ENERGY SUPPLY CHAIN COMPANIES

The index seeks an emphasis on current income by reweighting the stocks in the S&P 500 Energy and Materials Indices based on yield and by including MLPs. What do these steps seek to accomplish?

**Yield Focus:** The index's methodology seeks to reweight the S&P 500 Energy and Materials Indices 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 S&P 500 Energy and Materials indices. The chart below shows that the dividend yield of CSCI is 4.86% versus 2.92% for a 50/50 blend of the S&P 500 Energy and Materials Indices.

3/31/19	50/50	CSCI
Mkt Cap (Mil)	104,549	35,728
Indicated Yield	2.92% <sup>1</sup>	4.86%
Top 5	43.52%	16.07%
Top 10	57.17%	29.08%
Number	54	50
Active Share		54.43%
Name Overlap		70.37%

<sup>1</sup> - The 50/50 indicated yield is the sum of 50% of the 3.36% indicated yield of SPN and 50% of the 2.49% indicated yield of S5MATR.

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 [cushingetfs.com](http://cushingetfs.com) for fund performance.

The addition of MLPs, which are represented by 12 constituents from the Cushing 30 MLP Index at 2% each, is designed to help to 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 50/50 blend represented nearly 44% of the index's market capitalization versus only 16% in the Cushing Energy Index.

CSCI includes MLPs selected from the Cushing® 30 MLP Index, but CSCI'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 S&P 500 Energy or Materials Indices.

### ROUNDING OUT ENERGY SUPPLY CHAIN EXPOSURE: BY ADDING MLPs

Including MLPs in the index can also help to increase diversification in the index and to round out investor's exposure to the overall energy supply chain. Midstream energy companies are usually involved in the gathering, processing, transportation and storage of natural gas, crude oil, and other related hydrocarbons. Some are organized as MLPs. MLPs are excluded from the S&P 500 and its sub-indices such as the S&P 500 Energy Index. Including MLPs in the index is designed to provide access to a segment of the energy sector that is complementary.

### ROUNDING OUT ENERGY SUPPLY CHAIN EXPOSURE: BY ADDING DOWNSTREAM EXPOSURE

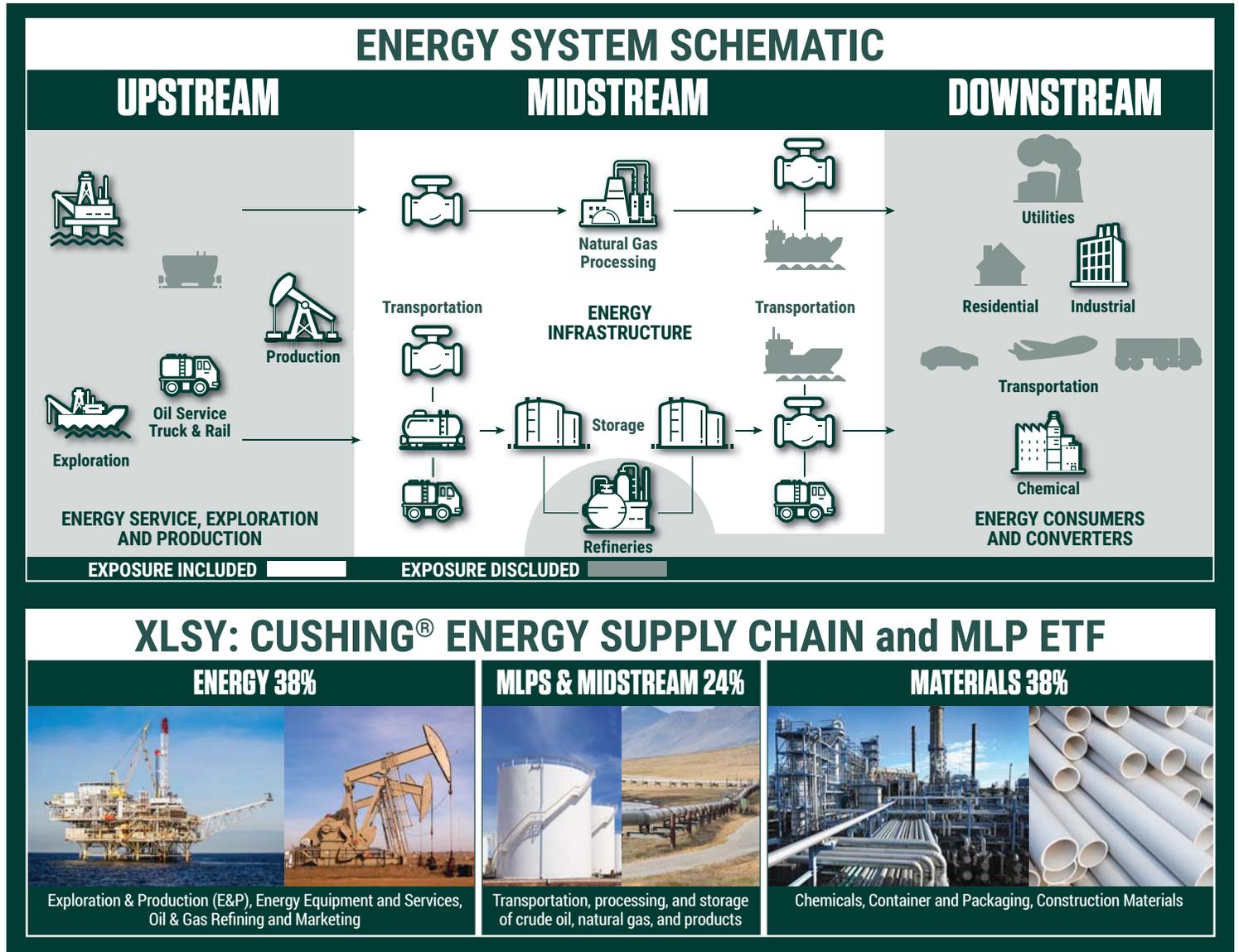
Including stocks from the S&P Materials Index adds exposure to the downstream portion of the energy supply chain. Many energy indices include only oil refiners and natural gas processors. However, the index includes companies which use these processed and refined products as a basis for their end products. Examples include materials companies, such as chemical companies which use processed natural gas liquids and refined oil products as an input for their end product. Construction materials, packaging, and container companies are also included in the index and comprise varying components of the petroleum hydrocarbon chain exposure.

### 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 perceived less risky alternatives, such as bonds, may offer more competitive yields when rates rise? However, remember that 76% of the index is represented by stocks in the S&P Energy and Materials Indices, just at different weightings. To the extent that investors are concerned about a sell-off in energy and materials 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 tax level.

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

## POSITIVE ATTRIBUTES:

- Focus on yield
- Potential lower concentration in individual energy and material companies
- Greater diversification through inclusion of MLPs, which are not currently allowed as constituents in the S&P 500 Index

## 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 XLSY 0.65%, XLSY offers significant potential advantages such as a focus on yield, potential lower concentration, and greater diversification through inclusion of MLPs which are not allowed in the S&P 500. As you survey the current energy ETFs, we invite you to evaluate yield, after subtracting total fees and expenses, for comparison purposes as possibly an improved metric.

## SUMMARY

XLSY seeks to replicate the performance of the Cushing Energy Supply Chain Index. The index is designed for investors seeking exposure to energy and materials companies with a focus on current income. The potential advantages come in the form of yield focus, potential lower concentration and greater diversification. Additionally, XLSY offers comprehensive exposure to the energy supply chain by including both MLPs, which are not included in the S&P 500, and materials companies which provide exposure to the downstream portion of the energy supply chain.

## 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 materials sectors, so it will be more effected by these 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*

## THIS FUND MAY BE APPROPRIATE FOR:

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

*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 S&P 500 Energy Index 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 comprises those companies included in the S&P 500 that are classified as members of the GICS materials sector. It is not possible to invest in an index.

**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 CSCI constituents that differ from 50/50.

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 Fund nor any of its representatives may give legal or tax advice

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