A Primer on MLPs

What is a master limited partnership (MLP)? What are the potential features that may make MLPs an attractive investment vehicle? And why may Cushing® Sector Plus ETFs be an attractive way to gain exposure to MLPs?

<u>What is an MLP?</u>
MLPs are structured to operate as "pass-through" entities, which means they pass cash flow and tax obligations through to underling investors (known as unit holders). Because of their pass-through nature, MLPs are treated as a partnership for U.S. federal income tax purposes rather than a corporation, and thus they are able to avoid paying corporate taxes.

In order for an MLP to be taxed as a partnership for U.S. federal income tax purposes, the MLP must comply with the "qualifying income" requirement in the Internal Revenue Code (the "Code'). The Code states that at least 90% of the MLP's gross income be "qualifying income", income created by qualifying business activities.

MLPs are generally yield-oriented vehicles formed for the purpose of owning businesses which generate "qualifying income," such as businesses which own energy infrastructure assets operating in oil, gas, or other natural resource-related activities. In general, these are fee-based businesses. They typically earn a set fee for each barrel of oil, cubic foot of natural gas, or ton of coal that is processed, transported, or stored, regardless of the price of the hydrocarbon. Historically, many energy transportation, processing, and storage companies were organized as MLPs. The expectation of distributions (or yield) is a critical feature of an MLP to many potential investors.

<u>Why May You Find MLPs To Be an Attractive Asset Class?</u>
Income Focus: There is an expectation that MLPs will distribute a large share of the cash generated in the course of their business to unitholders. As a result, MLPs often make regular distributions to investors. These distributions hold the potential to be an attractive source of regular income to investors. They may also provide the potential for an attractive yield when compared to other yield-generating investments.

Sector Focus: Historically, many companies engaged in the midstream portion of the energy supply chain have been organized as MLPs. Some commonly available energy sector passive index investment options do not include MLPs.

<u>Why May Cushing® Sector Plus ETFs Be an Attractive Way to Gain Exposure to MLPs?</u>
Cushing® Sector Plus ETFs pair MLPs with companies from other segments of the energy sector so that investors may potentially gain broader access to the overall energy supply chain. Cushing® Sector Plus ETFs are also designed to include MLPs with complementary segments of the energy supply chain, such as transportation and utility stocks, thus providing greater diversification for investors seeking exposure to not only the energy sector, but related sectors as well.

No K-1: One feature that often deters investors from holding MLPs is the Schedule K-1 for tax reporting. Schedule K-1 is a form that is used to report a taxpayer's portion of the income received from a partnership. Some investors dislike receiving K-1s because of the potential added level of complexity to tax preparation. Additionally, an investor may receive a Schedule K-1 later than other tax preparation forms.

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

Summary

MLPs may offer the potential for investors to receive an attractive source of income and exposure to a segment of the energy sector to which they may not have ready access. The Cushing® Sector Plus ETFs may be an attractive way for investors to gain exposure to MLPs without the drawback of receiving a Schedule K-1 for tax reporting purposes.

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. 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.

Cash flow is the net amount of **cash** and **cash**-equivalents being transferred into and out of a business

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.