MLP INCOME PORTFOLIO

SAMSON CAPITAL MANAGEMENT, LLC

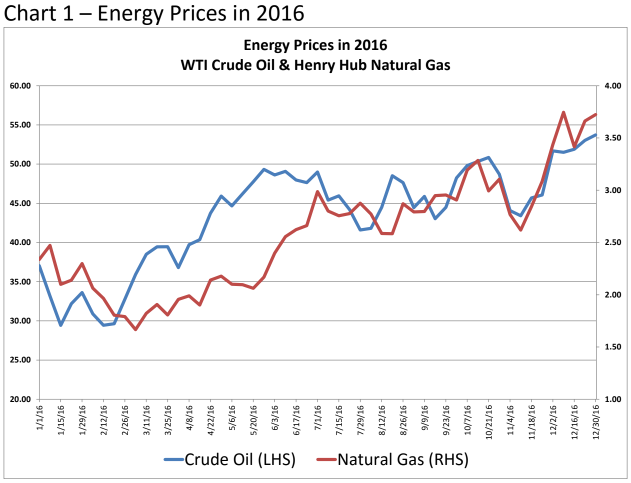
INCOME & TOTAL RETURN • TAX ADVANTAGED • EXPERIENCED MANAGEMENT • TRANSPARENCY • LIQUIDITY

YEAR-END 2016 INVESTMENT COMMENTARY

The MLP market had a strong close to the year and also has started 2017 on solid footing. Our composite portfolio was up 6.1% in December on a net basis, as investors recognized the positive changes taking place in the energy industry. In this letter we will briefly look back at what transpired in 2016, but more importantly focus on what we see driving returns on a go-forward basis.

Looking back at the energy markets in 2016, both oil and natural gas prices moved higher after a tough start to the year, as shown in Chart 1. Oil ended the year on a strong note following OPEC's announcement of a production cut, while natural gas moved higher as US production came off a bit and December turned colder which caused a draw on inventories.

Chart 1 – Energy Prices in 2016



Source: Bloomberg

MLP performance also took a hit early in the year as the Alerian MLP Index reached a low on Feb 11th. At that point investors seemed focused on yield and therefore lower quality MLP companies. These names carried much higher levels of leverage and distributions for some were at risk. As you know, we focus our attention on balance sheet fundamentals, but as investors chased yield, those companies were not being rewarded by the market early in the year. Additionally, due to the increased risk in the space, we carried higher levels of cash which we had raised during 2015 and in early 2016. In retrospect, having this level of cash contributed to us trailing the overall MLP market.

These factors contributed to our net composite being down -9.6% in 2016. However, we are pleased with the market performance we have seen from those higher quality names at the end of 2016 and early in 2017. As discussed in the Q3 '16 letter, we have an overweight to refiner-related MLPs due to their strong balance sheets and prospects. As you can see in Chart 2, these refiner-related names have performed well recently and we believe their quality will continue to be rewarded.

Chart 2 – Recent Refiner Related MLP performance

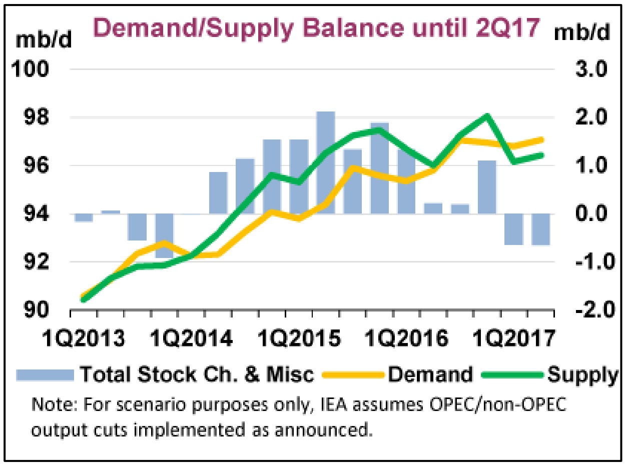
Ticker	Name	December '16	YTD 01/17/17
TLLP	Tesoro Logistics	7.8%	7.8%
PSXP	Phillips 66 Partners	7.8%	6.5%
VLP	Valero Energy Partners	9.5%	5.9%
MPLX	MPLX LP	5.4%	4.3%
SHLX	Shell Midstream Partners	5.5%	4.2%
Average		**7.2%**	**5.7%**

Source: Bloomberg

Before looking at some of the positive long-term factors driving MLPs, we will take a look at the changes that have taken place during 2016 in the global crude oil supply and demand dynamics. As expected, they are moving in favor of the U.S.

As the saying goes, "the cure for low prices is low prices", which is what finally forced OPEC to come together to negotiate a cut in production. In meetings at the end of November, the oil-producing cartel came to an agreement to cut production by about 1.2mm barrels per day (bpd) to 32.5mm bpd starting in 2017. In addition to OPEC cuts, non-OPEC nations also agreed to a cut in production of 558k bpd, with the majority coming from Russia and Mexico. The question remains whether everyone will comply with these announced cuts, but early indications are positive as Saudi Arabia lowered production more than expected in January '17. At the same time that these cuts were announced, the International Energy Agency (IEA) published expectations that global demand growth rose by 1.4mm bpd for 2016 and will rise 1.3mm bpd in 2017. This will go a long way to help restore global crude oil balances. While it has taken longer than expected, Chart 3 shows the expectation by the IEA that demand will start to outpace supply by mid-2017 due to the announced production cuts and continued growth in crude demand, a definite positive for the oil markets.

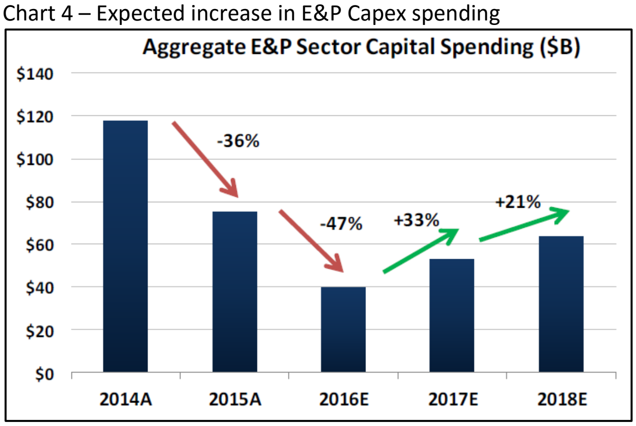
Chart 3 – IEA expects demand to outstrip supply in 2017



Source: International Energy Agency (IEA) – December 2016 Oil Market Report

While OPEC has had to prepare to make production cuts, U.S. Exploration & Production (E&P) companies used 2016 to fix their balance sheets and further drive drilling efficiencies to lower breakeven levels. Both oil production levels and drilling rig counts bottomed in 2016 and we are now seeing plans for E&P capital spending increases in '17 and '18. (Chart 4)

Chart 4 – Expected increase in E&P Capex spending



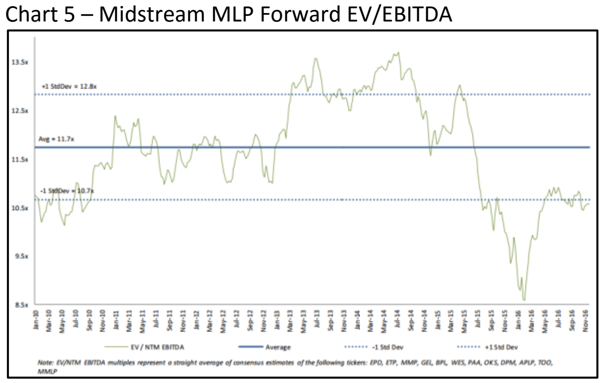
Source: USCA

Increased E&P spending will be beneficial to the MLP sector as it supports pipeline and storage utilization, and while capital spending is not where it was three years ago, it is important to remember that it takes fewer rigs today to produce the same amount of oil. UBS' Oil Field Services Team estimates that today 900 rigs can do what 2,000 rigs did in 2014. The U.S. will be able to fill the void that will be left by OPEC and in the meantime also supply more of our domestic needs. We believe a great future lies ahead for the U.S. energy industry even at lower oil prices.

In addition to these positive U.S. energy industry trends, the election of Donald Trump seemed to have a positive impact on MLPs. Sentiment is improving around the midstream regulatory environment as the President-elect has made comments about the need to focus on the buildout of energy infrastructure. His intentions are even more clear by the pro-energy appointments he has made for his new administration. Additionally, he will appoint two commissioners as well as a new Chairman for the Federal Energy Regulatory Commission (FERC). There are five seats in total, so this seems to be a positive for expansion and the permitting process. One item to note is the potential for corporate tax reform, which could partially diminish the competitive advantages of the MLP tax benefits. However, in sum we see the election of Donald Trump and Republican control of the House and Senate as a significant positive force for the energy industry and the general business environment.

We witnessed strong performance towards the end of 2016. However, we believe this is only the start of an upward trend for the MLP market. Chart 5 shows that valuations are still below long-term averages, even though they have risen from the lows early in 2016.

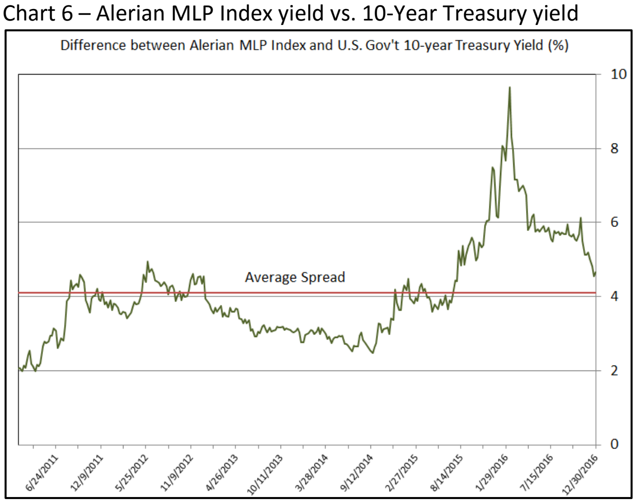
Chart 5 – Midstream MLP Forward EV/EBITDA



Source: Factset, RBC

From a yield point of view, MLPs remain attractive compared to alternatives. Despite the run up in 10-year Treasury rates from 1.8% at the time of the election to 2.4% at the end of 2016, the Alerian MLP Index rose by 10.8%. Chart 6 shows that the spread between MLPs and the benchmark 10-year Treasury rate remains above average.

Chart 6 – Alerian MLP Index yield vs. 10-Year Treasury yield



Source: Bloomberg

In conclusion, 2016 was a tough year for our portfolio, but we are encouraged by the recent outperformance we are seeing from our high-quality names. It appears that investors are putting their focus back on strong balance sheet fundamentals. We see global energy demand growth being met by increased U.S. oil production and are encouraged to see a new pro-energy administration coming to the White House. In our opinion the table is set for MLPs to perform well for the coming years.

As always, we are available to answer any questions you may have.

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Disclosures:

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The foregoing commentary contains views regarding the economy, securities markets, the MLP industry, specific MLP companies and other specialized areas which represent Samson Capital's views and opinions and are subject to change at any time. These views cannot be guaranteed to be accurate and may result in economic loss to the investor. In addition, this commentary contains forward-looking statements which we believe to be reasonable but we can give no assurance that such expectations will prove to be correct and actual results could be materially different. Data in the foregoing commentary is obtained from various sources which we believe to be reliable; however, there is no guarantee of its accuracy. There is no assurance that Samson Capital's investment strategy will achieve a profitable result.

The performance shown is for the stated time period only; due to market volatility, each account's current performance may be different. All returns are estimates and should not be regarded as final until the quarterly performance examination is complete. The MLP Income Portfolio SMA Composite net returns are based on gross returns minus a weighted average management fee and brokerage expenses. The weighted average management fee is based on actual fees paid by fee paying accounts and fees that would have been charged to non-fee paying accounts, based on Samson Capital's standard management fee schedule described in Part 2 of its Form ADV. Actual investment advisory fees paid and actual commissions incurred by clients may vary. Some clients are sub-advisory clients and the fee applied to these accounts is the fee charged by our firm. Actual performance for sub-advisory accounts could be lower due to the primary advisers fee. Returns include the reinvestment of income and dividends for those clients that elect this option.

Prior to May 12, 2009 (which is the date Samson Capital's SEC registration was approved), composite assets included those assets with a similar strategy at Ferrell Capital, Inc. ("Ferrell Capital"). Pursuant to the guidelines promulgated in Horizon Asset Management LLC No-Action letter (1996), performance history of its personnel at Ferrell Capital since March of 2003 is utilized since the persons managing Samson Capital client portfolios were also primarily responsible for the prior results achieved at Ferrell Capital, and portfolios at both firms are substantially similar and are managed in a substantially similar manner. A Portability Review for this time period has been conducted by an independent accounting firm.

The Alerian MLP Index ("Alerian") is a composite of the 50 most prominent energy master limited partnerships calculated using a float-adjusted market capitalization methodology. The Alerian is not a managed portfolio and not subject to management fees or trading costs. Investors cannot invest directly in the index. The total return performance data is derived from www.alerian.com and reflects the reinvestment of dividends.

The U.S. Government 10-year Treasury Note is a debt obligation issued by the U.S. Treasury that has a term of 10 years and is backed by the full faith and credit of the U.S. government

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