600 N. Pearl St.
Suite 1205
Dallas, TX 75201
(214) 692-6334
www.nxgim.com

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## The NXG Cushing® Midstream Strategy Market and Performance Update

For the third quarter of 2023, the NXG Cushing® Midstream Strategy gained 6.38% gross of fees, and 6.12% net of fees. The strategy outperformed its benchmark, the Alerian Midstream Energy Index ("AMNA"), which produced a total return of 2.49% for the quarter.

| | Total Return as of 9/30/2023 (Annualized if greater than 1 year) | | | | | |
|---|---|---|---|---|---|---|
| | 3Q 2023 | 2023 YTD | 1 Year | 5 Years | 10 Years | Since Inception[4] |
| The NXG Cushing Midstream Strategy (gross of fees)[1] | 6.38% | 12.63% | 23.56% | 6.32% | 4.53% | 9.24% |
| The NXG Cushing Midstream Strategy (net of 1% fees)[1] | 6.12% | 11.79% | 22.33% | 5.26% | 3.47% | 8.14% |
| Blended Midstream Index Total Return[2] | 2.49% | 7.11% | 16.09% | 2.77% | -0.01% | 4.69% |
| Alerian Midstream Energy Index Total Return[3] | 2.49% | 7.11% | 16.09% | 7.80% | N/A | N/A |

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**
Note: Indicative return, individual investors may have different returns.

(1) "Gross of fees" returns are gross of fees and expenses. "Net of fees" returns are calculated using a 1% model investment fee. Both gross and net returns are unaudited. Returns greater than one year are annualized. The strategy's returns shown are preliminary and are subject to further revision.
(2) The strategy has selected a blended benchmark as its benchmark. The returns for the blended benchmark represent the returns of the Alerian MLP Index prior to January 1, 2022 and the returns of the Alerian Midstream Energy Select Index thereafter. The Alerian MLP Index (AMZ) is a capitalization weighted index of the most prominent energy master limited partnerships. The Alerian Midstream Energy Index (AMNA) is a broad-based composite of North American energy infrastructure companies. Index results assume the reinvestment of all capital gain and dividend distributions. It is not possible to invest directly in an index. Index performance does not reflect the deduction of fees and expenses.
(3) AMNA inception was June 25, 2018.
(4) Strategy inception was June 2010.

The midstream energy sector continued its upward trajectory in the third quarter, with the strategy's benchmark posting a +2.49% total return. This performance notably surpassed that of the broader market, which declined (3.27%) as measured by the S&P 500 total return. We believe the latter grappled with challenges arising from higher interest rates and surging energy commodity prices.

While these factors may have dampened the performance of the broader market, the strength of crude oil and natural gas prices bolstered energy equities. During the quarter, crude oil prices rose in 10 of the 13 weeks, reaching $95 per barrel. This increase can be attributed to factors such as Saudi Arabia and Russia's extended voluntary supply cuts, moderating US shale growth, and record US weekly crude oil inventory depletions. Additionally, the International Energy Agency (IEA) estimated that worldwide consumption reached an all-time high of 103 million barrels per day in June, reinforcing our conviction in the enduring relevance of hydrocarbons in the global energy framework.

Natural gas prices also moved higher during the quarter, spurred by an unusually warm summer and a consistent drop in US natural gas rig counts. International liquefied natural gas (LNG) prices also climbed, primarily due to worker strikes in Australia, affecting close to 10% of the global LNG supply.

The strength of commodity prices could present challenges for the Federal Reserve as it strives to stabilize the economy, manage inflation, and navigate the consequences of its rate adjustments. With oil prices hitting annual highs, the US government's 10-year treasury yields soared to levels not seen in 16 years, surpassing 4.5% for the first time since 2007.

Merger and acquisition (M&A) activity in the midstream sector remained strong. We attribute this strength in part to the maturation of shale reservoirs. However, it's also reflective of a transformative shift in strategy by midstream management teams. This shift, characterized by disciplined capital spending, high targeted returns on invested capital (ROIC), and sustained positive free cash flow (FCF) generation, has proved successful for the restoration of balance sheet health and prioritization of shareholder returns. With management teams looking toward the future, some are eager to capitalize on this newfound flexibility, while others believe merging with or selling to a larger entity is the optimal strategy.

## Portfolio Highlights

The NXG Cushing® Midstream Strategy's holdings generating the largest contributions to overall returns included those in the Large Cap Diversified MLPs, Natural Gas Gatherers and Processors, and Refiners subsectors (contributions take relative weighting and total returns into account). The strategy's holdings generating the largest detractions from overall returns included those in the Renewable YieldCos and Canadian Midstream subsectors.

Relative to the AMNA, the strategy benefited from overweight positions in the Natural Gas Gatherers and Processors, Refiners, and Large Cap Diversified MLPs subsectors. The strategy was negatively impacted by underweight positioning in the Renewable YieldCos subsector. Importantly, the strategy's underweight allocation to, and stock selection within, the Large Cap C-Corps subsector resulted in positive absolute returns, while the subsector's contribution to the benchmark was negative.

The following table highlights the strategy positions generating the most positive and most negative contributions to the portfolio relative to those companies' contributions to AMNA.

**Strategy Contribution vs. AMNA for the Quarter Ending 9/30/2023**

| | Company Name | Contribution to Portfolio Return (Net) | Contribution to AMNA Index Return | Average Weight in Portfolio | Average Weight in AMNA Index | Relative Net Attribution (% points) |
|---|---|---|---|---|---|---|
| **Largest Contributors** | | | | | | |
| 1) | Marathon Petroleum Corp. | +1.07% | 0.00% | 3.59% | 0.00% | 1.07% |
| 2) | TC Energy Corp. | -0.27% | -1.32% | 1.80% | 8.83% | 1.05% |
| 3) | Enbridge, Inc. | -0.33% | -0.97% | 3.30% | 9.44% | 0.63% |
| 4) | Targa Resources Corp. | +1.18% | +0.57% | 9.19% | 4.54% | 0.61% |
| 5) | Plains All American Pipeline | +0.83% | +0.25% | 8.09% | 2.51% | 0.57% |
| | | | | | **Top 5 Total** | **+3.93%** |
| **Largest Detractors** | | | | | | |
| 1) | NextEra Energy Partners LP | -0.82% | 0.00% | 1.42% | 0.00% | -0.82% |
| 2) | Williams Companies, Inc. | +0.18% | +0.46% | 5.25% | 10.20% | -0.28% |
| 3) | Cheniere Energy, Inc. | +0.70% | +0.85% | 7.96% | 9.58% | -0.15% |
| 4) | Enterprise Products Partners LP | +0.46% | +0.57% | 7.68% | 9.65% | -0.11% |
| 5) | Cheniere Energy Partners LP | 0.00% | +0.09% | 0.00% | 0.51% | -0.09% |
| | | | | | **Bottom 5 Total** | **-1.45%** |

Relative to the AMNA, the strategy remained overweight to companies with higher direct and indirect energy commodity price exposure (including production volumes). These companies, typically Natural Gas Gatherers and Processors, exhibit elevated exposure to wellhead economics. The strategy also remained overweight Large Cap Diversified MLPs and Refiners at the end of the third quarter.

## What Helped (Contributors)

- Relative to the AMNA, the strategy's top contributors for the period were Marathon Petroleum Corp., TC Energy Corp., and Enbridge, Inc. Marathon Petroleum made positive contributions on both an absolute and relative basis, and the strategy was overweight given its absence from the benchmark. The strategy's performance benefited from its underweight positioning in TC Energy, Inc. and Enbridge, Inc., both of which posted negative absolute returns during the period and represented the first and second largest underweight positions relative to the benchmark, respectively.
- Marathon Petroleum Corp. benefited from strong crude oil pricing during the period, as well as historically high crack spreads which drove strong refining margins. In addition to these factors, Marathon announced earnings well above street estimates during the quarter and maintained its sector-leading capital return strategy by repurchasing more than $3B worth of shares.
- To mitigate delays and cost overruns associated with the Coastal Gas Link project, TC Energy announced the sale of its Columbia Gas and Columbia Gulf assets at a dilutive sale multiple, weighing on the stock. The company also underperformed due to an elevated debt-to-EBITDA ratio, negative FCF generation, and ongoing capital market requirements.
- Despite a modest earnings beat surpassing consensus estimates during the period, Enbridge, Inc., underperformed largely due to their announcement of their intent to acquire three gas utilities and a concurrent equity offering. The announcement represents a major shift in their corporate strategy towards more regulated natural gas assets and away from liquids-focused export assets.

## What Hurt (Detractors)

- Relative to the AMNA, the strategy's biggest detractors for the period were NextEra Energy Partners LP, Williams Companies Inc., and Cheniere Energy, Inc. NextEra Energy Partners LP delivered negative absolute returns, and the strategy was overweight given the company's absence from the benchmark. Williams and Cheniere both produced positive absolute returns for the period. However, both companies represented significant underweight positions relative to the benchmark, and their performance negatively impacted the strategy on a relative basis.
- During the quarter, NextEra Energy Partners LP faced headwinds due to interest rate sensitivity, and it experienced a sell-off in line with the broader utility sector. Additionally, management adjusted their capital allocation approach by reducing their targeted distribution growth rate and revising their EBITDA guidance downwards. These adjustments were driven by concerns that a faster growth rate could strain NextEra's financial structure due to higher interest rates. Additionally, the parent company, NextEra Energy, Inc., chose not to proceed with an asset drop-down, prompting further questions about asset valuations.
- Williams Companies continued to benefit from a recovery in natural gas prices during the quarter as natural gas prices rose by 5% from $2.80 to $2.93, driven by moderating drilling activity in gas-focused basins. As prices stabilized, so did investor sentiment, boosting the growth outlook for Williams' natural-gas-focused assets. The strategy remained underweight at the end of the period.
- Cheniere Energy, Inc. reported better-than-expected earnings during the quarter, and management raised its full-year earnings guidance for the second time this year. In addition, the company provided positive updates on expansion projects at both its Corpus Christi Liquefaction (CCL) and Sabine Pass Liquefaction (SPL) facilities.

All top contributors and detractors remained in the portfolio at the end of the period.

## Outlook

In our last update, we stated: *"While our predictions for a rise in commodity prices have been delayed to the second half of 2023 and into 2024, barring a substantial global recession, we remain firm in our belief that higher prices are forthcoming, even with a mild pullback in economic activity."* We continue to believe that capital spending remains highly disciplined within the energy sector, potentially leading to a more pronounced structural supply growth shortage as demand continues to rise. For instance, despite the surge in oil prices this year, the number of active US drilling rigs has decreased by 20%, reverting to early 2022 levels.

While the potential of a recession and high interest rates present concerns, we anticipate that the sustained discipline of producers, alongside supportive OPEC+ actions, should provide support for oil prices. As a result, we anticipate an extended phase of elevated commodity prices as the underinvestment in oil and gas becomes increasingly evident. The mix of reduced capital spending and rising commodity prices should result in significant FCF generation, enhancing investment returns in the energy sector.

With market-leading FCF yields and a strong focus on shareholder returns, we assert that the midstream sector is consistently undervalued and mispriced. High dividend yields, consistent dividend growth, stock buybacks, and debt reduction should serve as catalysts boosting market sentiment and nudging investors to acknowledge the inherent value within the midstream energy sector.

This year further emphasizes these attributes, as other high-yield sectors lag, especially in the current rising rate and "higher-for-longer" macro environment. For context, utilities concluded the quarter nearing their all-time relative lows against the S&P 500. Midstream is uniquely positioned in this environment, as almost all companies offer growth through a self-funding model that isn't dependent on raising capital. While this shift has been long in the making, traditional energy companies now find themselves de-levered with substantial FCF generation, which is in stark contrast to the utility sector.

Finally, we've observed a notable uptick in M&A activity in 2023, with 13 transactions amounting to a cumulative value of $61 billion recorded year-to-date. We believe most of these transactions stem directly from the maturation of US shale. Smaller companies, including those backed by private equity, are increasingly facing challenges in deploying capital into new growth opportunities in an accretive manner. Now, full integration across the midstream value chain and cost of capital are emerging as key differentiators.

Kind regards,

*The NXG Cushing Midstream Team*

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Performance information included in this presentation represents composite returns for the NXG Cushing Midstream Energy Strategy (the "Strategy"). Actual account performance for a separately managed account invested in accordance with the Strategy will vary from these returns based upon account cash flows and investment timing.

| Year End | *Total Assets ($ millions)* | | | | *Composite Performance* | | | *Annualized 3-Year Standard Deviation[3]* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Firm* | *Composite* | **% of Composite Assets from Wrap Program** | *Number of Accounts* | *Gross* | *Net* | *Benchmark[5]* | *Composite* | *Benchmark[5]* | *Internal Composite Dispersion[4]* |
| 2023[1] | 991 | 14 | N.A. | 11 | 12.63 | 11.79 | 7.11 | 21.15 | 23.61 | N.A. |
| 2022 | 1.039 | 12 | N.A. | 9 | 25.16 | 23.91 | 21.53 | 41.26 | 48.74 | 0.22 |
| 2021 | 972 | 17 | N.A | 11 | 43.22 | 41.80 | 40.17 | 39.80 | 47.52 | 0.44 |
| 2020 | 829 | 11 | N.A. | 7 | -26.77 | -27.50 | -28.69 | 40.54 | 47.85 | N.A. |
| 2019 | 1,807 | 35 | 33.41 | 9 | 11.09 | 9.97 | -6.56 | 18.03 | 17.95 | 0.37 |
| 2018 | 2,712 | 43 | 46.93 | 13 | -12.42 | -13.29 | -12.42 | 19.36 | 18.35 | 0.56 |
| 2017 | 3,608 | 75 | 31.87 | 12 | -6.81 | -7.72 | -6.52 | 20.28 | 19.33 | 0.19 |
| 2016 | 3,722 | 150 | 0.80 | 7 | 25.30 | 24.04 | 18.31 | 21.40 | 20.23 | N.A. |
| 2015 | 2,961 | 51 | N.A. | 4 | -30.64 | -31.38 | -32.59 | 19.16 | 18.76 | N.A. |
| 2014 | 4,601 | 39 | N.A. | 2 | 22.40 | 21.06 | 4.80 | 13.50 | 13.73 | N.A. |
| 2013 | 3,343 | 31 | N.A. | 2 | 42.00 | 40.57 | 27.58 | 13.06 | 13.63 | N.A. |
| 2012 | 2,197 | 19 | N.A. | 1 | 8.44 | 7.36 | 4.80 | - | - | N.A. |
| 2011 | 1,503 | 13 | N.A. | 1 | 16.92 | 15.76 | 13.88 | - | - | N.A. |
| 2010[2] | 1,115 | 13 | N.A. | 1 | 29.48 | 28.39 | 29.11 | - | - | N.A. |

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
1) Performance reflects the un-annualized performance from 1/1/2023 to 9/30/2023.
2) Performance reflects the un-annualized performance from June 1, 2010 to December 31, 2010.
3) For periods with less than 36 months of composite performance, no 3-year ex-post standard deviation measurement is available.
4) Dispersion is the asset-weighted standard deviation of annual returns of all portfolios in the composite for the entire year. If dispersion is N.A., the composite did not hold 6 or more accounts for the entire year or the period is a partial year.
5) The Strategy has selected a blended benchmark as its benchmark. The returns for the blended benchmark represent the returns of the Alerian MLP Index prior to January 1, 2022 and the returns of the Alerian Midstream Energy Select Index thereafter

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