

Message

From: Scott Borgerson ([REDACTED])
Sent: 12/2/2017 1:28:36 PM
To: [REDACTED]
CC: GMAX [REDACTED]
Subject: Re: ANGARA: MLP Opportunity
Attachments: disclaim.txt

Confirmed Brittany.

Sent from iCloud

On Dec 01, 2017, at 09:37 AM, [REDACTED] wrote:

Hi Scott,

I am reaching out to reconfirm the meeting for Monday, December 4th at 10AM in our offices at 1285 Avenue of the Americas.

Thank you,

Brittany



Brittany Prost
Client Service Associate

UBS Financial Services Inc.
Private Wealth Management
1285 Avenue of the Americas, 38th Floor
New York, NY 10019
Phone: [REDACTED]

Fax: [REDACTED]
[REDACTED]

www.ubs.com/privatewealthmanagement

From: Scott Borgerson [mailto:[REDACTED]]
Sent: Thursday, November 23, 2017 1:34 PM
To: Prost, Brittany
Subject: Re: ANGARA: MLP Opportunity

confirmed.

Sent from iCloud

On Nov 22, 2017, at 03:37 PM, [REDACTED] wrote:

Hi Scott,

I am reaching out to confirm the below meeting for Monday, December 4th at 10AM in our offices located at 1285 Avenue of the Americas. I will send a calendar shortly.

Thank you,

Brittany



Brittany Prost
Client Service Associate

UBS Financial Services Inc.
Private Wealth Management
1285 Avenue of the Americas, 38th Floor
New York, NY 10019
Phone: [REDACTED]

Fax: [REDACTED]

From: Scott Borgerson [mailto:[REDACTED]]
Sent: Sunday, November 19, 2017 8:35 AM
To: Stackman, Scott
Cc: Casriel, Lyle; Klein, Matthew
Subject: Re: ANGARA: MLP Opportunity

Terrific

Sent from iCloud

On Nov 19, 2017, at 08:24 AM, [REDACTED] wrote:

Yes. We will send the deck on Monday and confirm a time that works. Additionally we can have Doug Rachlin attend or at least call in. We have been working together for 18 years and know Doug quite well.

Best

Scott

From: Scott Borgerson <[REDACTED]<mailto:[REDACTED]>>
Date: Sunday, Nov 19, 2017, 8:19 AM
To: Stackman, Scott <[REDACTED]<mailto:[REDACTED]>>
Cc: Casriel, Lyle <[REDACTED]<mailto:[REDACTED]>>, Klein, Matthew
<[REDACTED]<mailto:[REDACTED]>>
Subject: Re: ANGARA: MLP Opportunity

Thanks for the note Scott and it's been nagging me that Angara's cash is not being put to work. But this is a difficult environment as you know! Are you by chance available to meet in person at your office at 10 or 6PM on 12/4 to discuss this manager (is there a Rachlin deck you can share) and to discuss any other ideas you might have for Angara? Happy Thanksgiving, sgb

Sent from iCloud

On Nov 17, 2017, at 06:01 PM, [REDACTED] wrote:

Scott,

We were recently reviewing the portfolio and wanted to suggest initiating an MLP position in our preferred manager, Rachlin.

While sentiment is extremely negative in the sector right now, we believe that over the medium term MLPs should do well. Below we summarize the reasons for MLP underperformance, manager outperformance, and our reasoning for adding to the sector at this time. Please let us know when you have some time to discuss in further detail.

Reasons for MLP underperformance:

- Lack of investor interest – MLPs hurt investors in 2015. While they had a tremendous recovery in 2016, they have underperformed since the current rally began after the US election.
- Energy has been out of favor – despite the steady rise in energy prices, energy stocks have been trading poorly, even though many businesses have turned a corner.
- Tax-loss selling – In a year of solid gains, few stocks offer opportunity for "tax loss" harvesting: MLPs and energy related stocks have continued to be under pressure from this seasonal trend.
- Balance Sheet Restructuring – MLPs historically borrow a lot of money to fund growth. During the 2014-2015 rout, many MLP's lost access to capital markets. The best operators shored up their balance sheets, and some cut their dividends to become less reliant on debt markets. As a result, investors have been slow to return to the sector.

Why Rachlin has outperformed:

- Their overall weightings toward General Partners and younger MLPs versus the Alerian Index. General Partners issue less equity than Limited Partnerships, and therefore have less dilution over time.
- Rachlin has a focus on mid-stream natural gas assets. This has helped them avoid some of the significant impairment among upstream oil names, and allows them to focus on the sustainability of cash flows of their

core holdings.

- They select names that benefit from partnerships with strong parent companies which have flexible balance sheets, and distribution coverage. This has allowed their companies to continue to grow without relying as heavily on tapping equity markets
- The portfolio is a little diversified away from MLPs in that they also own some traditional C-corps: for example OKE has held up better than traditional MLPs. They also own FUN (Cedar Fair) and NEP (NextEra Partners) as well – two names traditional MLP managers don't own and aren't in the Alerian MLP Index.
- Year to date, Rachlin is about flat while the Alerian index is down. As of this week, Rachlin is ahead of the Alerian by 800-1000 bps for the year.

Reasons to add to MLPs now:

- The Alerian Index, the MLP benchmark sits about 20% lower today on a price basis than it was in June of last year. It remains 50% below its 2014 high on a price basis (before dividends).
- MLPs are one of the few areas of the market that has dramatically underperformed since the election, and we think the timing is good to add to the position.
- MLP yields as measured by the Alerian Index today remain elevated to historical averages, and this is on the back of the industry absorbing dividend cuts through 2015-2016.
- Cash flows for the best operators remain strong, and the balance sheet restructuring that has taken place has put the best companies in a good position to continue to grow with less reliance on debt markets.
- Energy prices remain strong both for natural gas and oil, however the Rachlin portfolio is primarily a natural gas "toll-road" portfolio
- Sentiment in the sector remains negative currently despite strengthening fundamentals.
- Many of Rachlin's holdings are currently increasing distributions.
- Rachlin has noted that sentiment on MLPs has not been this negative since 1999-2000 when technology companies were experiencing a meteoric rise. In the years that followed, MLPs were an excellent investment.
- We are seeing private equity firms entering the market now that MLP prices remain depressed as they see opportunity.

Thank you

Scott

Scott L. Stackman
Managing Director – Wealth Management
Private Wealth Advisor

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Barron's Top 100 Advisors
Financial Times Top 400 Financial Advisors

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Please visit our website at

<http://financialservicesinc.ubs.com/wealth/E-maildisclaimer.html>

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