

DWA MLP Select Index:

Celebrating 5 Years of Outperformance

On May 1, 2020, the DWA MLP Select Index (DWAMLP) celebrated its fifth anniversary. While the state of the energy market has been in constant flux since the launch of the DWAMLP, the methodology and the robust process employed by the index has remained constant, and it has provided a dynamic way of tracking and accessing this important investment space. Additionally, the DWAMLP has managed to outperform, on a total return basis, its benchmarks as well as a crude oil since it launched.

What is an MLP?

Master Limited Partnerships (MLPs) are a good example of unique investment vehicles that can offer market participants certain benefits traditional products, such as equities and bonds, may not always provide. To begin, let's start by giving a brief background on MLPs and how they are structured. By definition, a master limited partnership (MLP) is a business organization that exists in the form of a publicly traded limited partnership. There are two classes of partners within an MLP: limited partners and general partners. Limited partners purchase units in the MLP, which provide capital for the day-to-day operations. This also allows them to receive periodic cash distributions that are typically paid out every quarter. General partners are responsible for managing the day-to-day operations and are compensated based on the performance of the business. Gaining access to an MLP is fairly easy as they can be purchased through an exchange or over the counter like most common stocks. They are most often organized by energy firms that are involved in the oil and gas industry that deal with pipelines and storage.

One of the major advantages that MLPs provide to investors is the periodic income stream due to the quarterly cash distribution and high dividend yields. Because of their structure, MLPs also provide investors with nice tax advantages. For example, MLPs are not taxed at the corporate level. Instead, each unitholder is taxed on his or her portion of MLP earnings, which helps avoid the double taxation most corporations must pay. One of the main risks involved includes declining energy prices, which eventually could force an MLP to cut its dividend. One way to avoid this company-specific risk is by investing in an ETF or ETN comprised of several MLPs to diversify holdings beyond one security, such as the DWA MLP Select Index.

DWA MLP Select Index (DWAMLP)

The DWA MLP Select Index (DWAMLP) launched on May 1, 2015, and follows the Dorsey Wright Relative Strength-based methodology. It is rebalanced monthly and will continue to be allocated towards the strongest performing members of the universe.

Methodology & Security Selection

- The index universe consists of all MLPs that are not classified as financials according to the Industry Classification Benchmark (ICB).
- DWAMLP holdings must have a minimum market capitalization of \$500 million.
- Index holdings must have a one-month average daily dollar trading volume of \$2 million per day on the primary exchange.
- The DWAMLP index follows the Dorsey Wright Relative Strength Ranking Methodology.
- The index holds the top 15 ranked securities within the universe that meet all minimum market cap and liquidity thresholds.
- The index is evaluated for changes every month.
- The index is equal dollar-weighted and is rebalanced monthly, even when there are no changes made to the holdings of the index.

The table below lists the index holdings in the index as of May 1, 2020. Note the high dividend yields, which correspond with the majority of the holdings to help generate income.

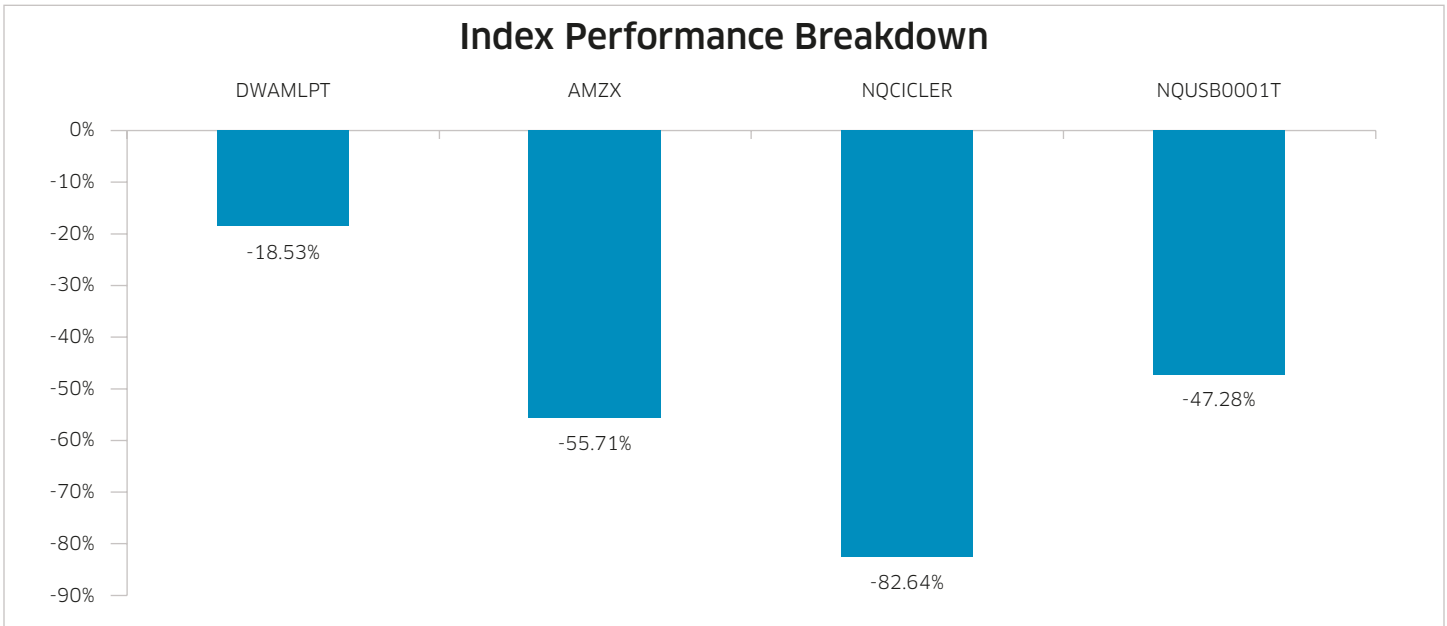
DWAMLP Holdings

NAME	SYMBOL	WEIGHT	DIVIDEND YIELD
BP MIDSTREAM PARTNERS	BPMP	6.67%	11.13%
CNX MIDSTREAM PARTNERS	CNXM	6.67%	20.13%
CHENIERE ENERGY LP	CQP	6.67%	7.17%
DCP MIDSTREAM LP	DCP	6.67%	34.29%
ENERGY TRANSFER LP	ET	6.67%	14.52%
ENVIVA PARTNERS LP	EVA	6.67%	7.55%
MAGELLAN MIDSTREAM PARTNERS	MMP	6.67%	9.81%
MPLX LP	MPLX	6.67%	14.64%
PLAINS ALL AMERICAN LP	PAA	6.67%	15.63%
PHILLIPS 66 PARTNERS	PSXP	6.67%	7.99%
SHELL MIDSTREAM PARTNERS	SHLX	6.67%	11.50%
SUBURBAN PROPANE	SPH	6.67%	15.53%
SUNOCO LP	SUN	6.67%	13.30%
TC PIPELINES LP	TCP	6.67%	7.76%
WESTERN MIDSTREAM	WES	6.67%	28.23%

(As of May 1, 2020)

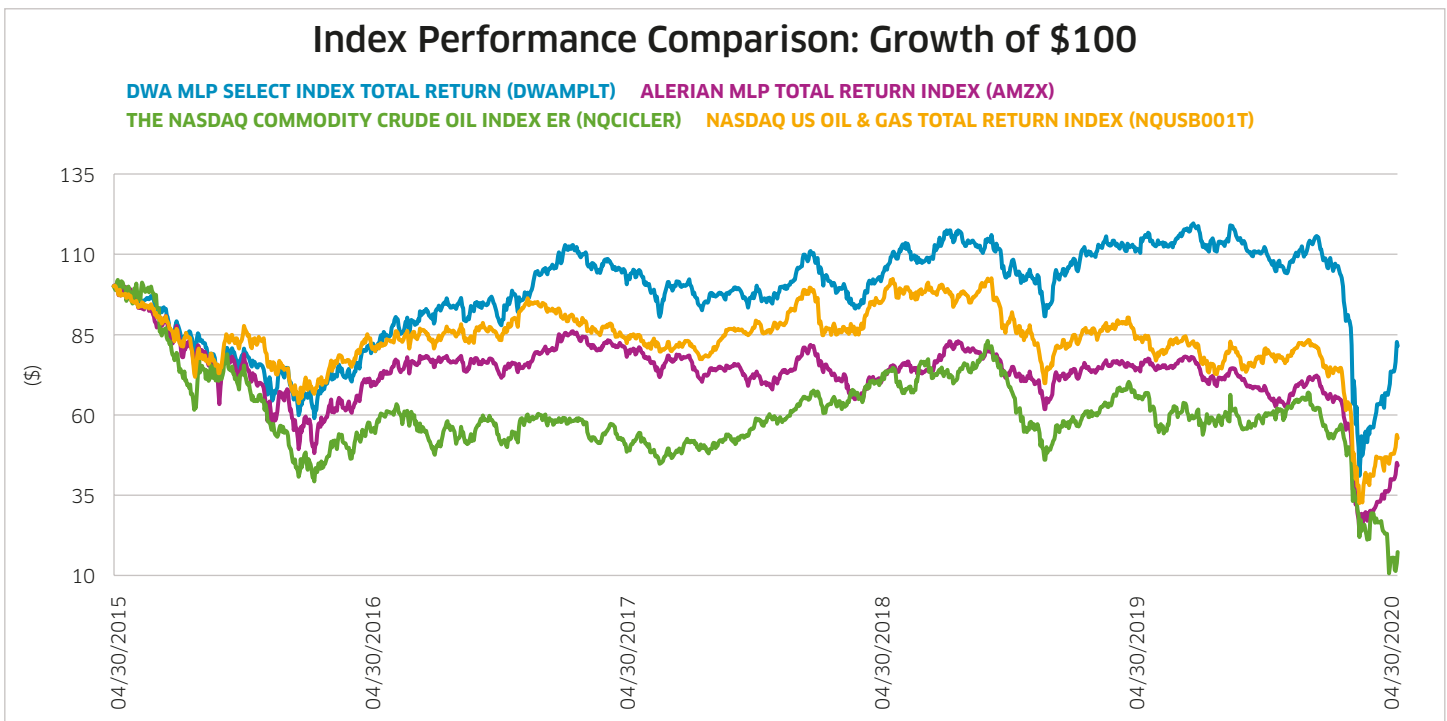
Index Performance

Since its launch, DWAMLP, or its total return tracking symbol, DWAMLPT, is down -18.53% on a total return basis (as of close on April 30, 2020). This compares quite favorably to the Alerian MLP Total Return Index (AMZX), which is down -55.71% over the same period. We've also included the performance of two other Nasdaq Energy-related benchmarks to provide additional color from a performance perspective. The Nasdaq Commodity Crude Oil Index ER (NQCICLER), an index comprised of front-month WTI Crude Futures, is down -82.64%, and the Nasdaq US Oil & Gas Total Return index (NQUSB001T), an index comprised of equities that are classified as Oil & Gas according to ICB, declined -47.28%. The difference in performance helps display the benefits of the relative strength-based methodology, which drives the index. Staying allocated towards the stronger performing members of the universe helps diversify risk away from those securities, which are underperforming.



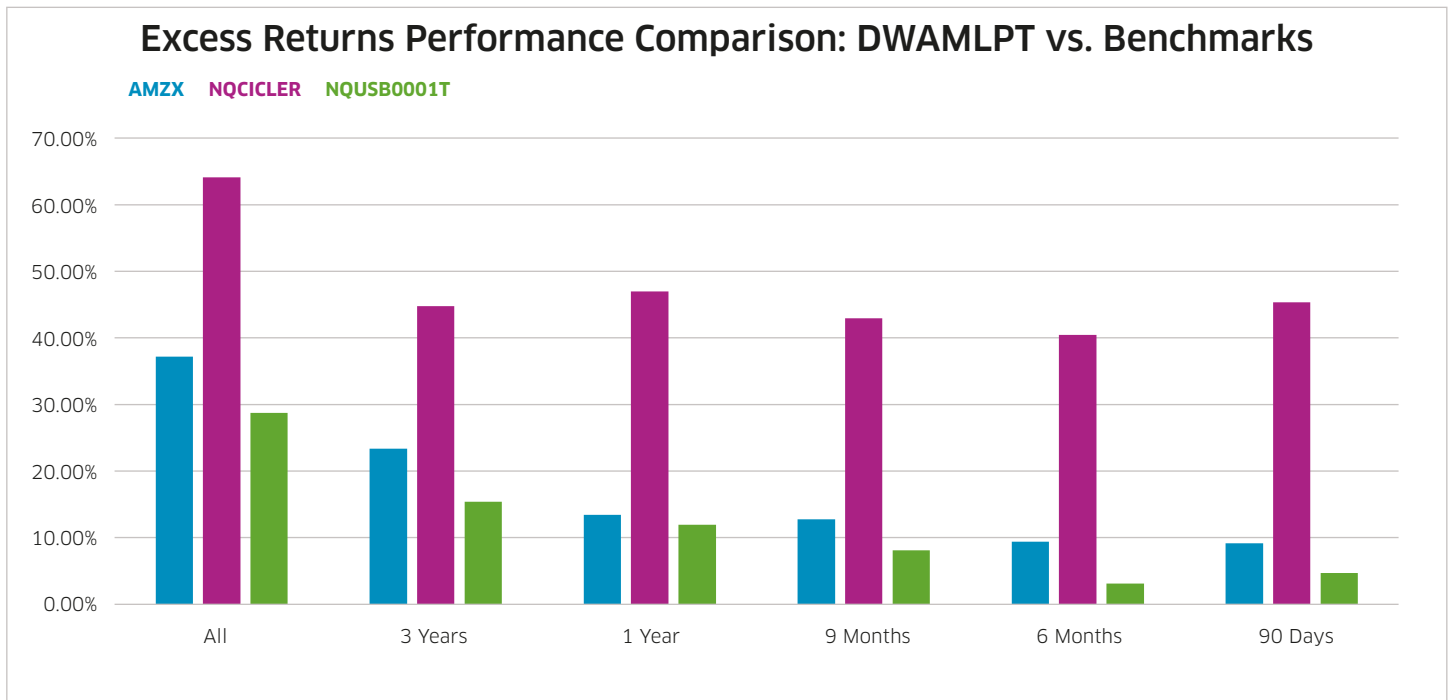
(Data from April 30, 2015 - April 30, 2020)

Digging into the performance analysis a bit further, we can look at the chart below and notice the steep declines seen by much of the energy sector from May 2015 - February 2016. DWAMLPT bottomed out on February 11, 2016, and rebounded an impressive 88.27% through the end of October 2019. However, during the 2020 COVID-19 pandemic, energy prices and energy-related equity prices, including MLPs, plummeted. As a result, DWAMLPT was not immune from the correction and fell over -65% off its July 2019 to its low on March 18, 2020, losing all of its absolute gains, however, the index continued to outperform its peer benchmarks on a relative basis. For example, -65% was in-line with what was taking place in MLP and energy segments during the correction. Between DWAMLPT's peak on July 25, 2019, to its low, AMZX fell -69.10%, while NQCICLER was down -66.83%, and NQUSB001T fell -60.65%.



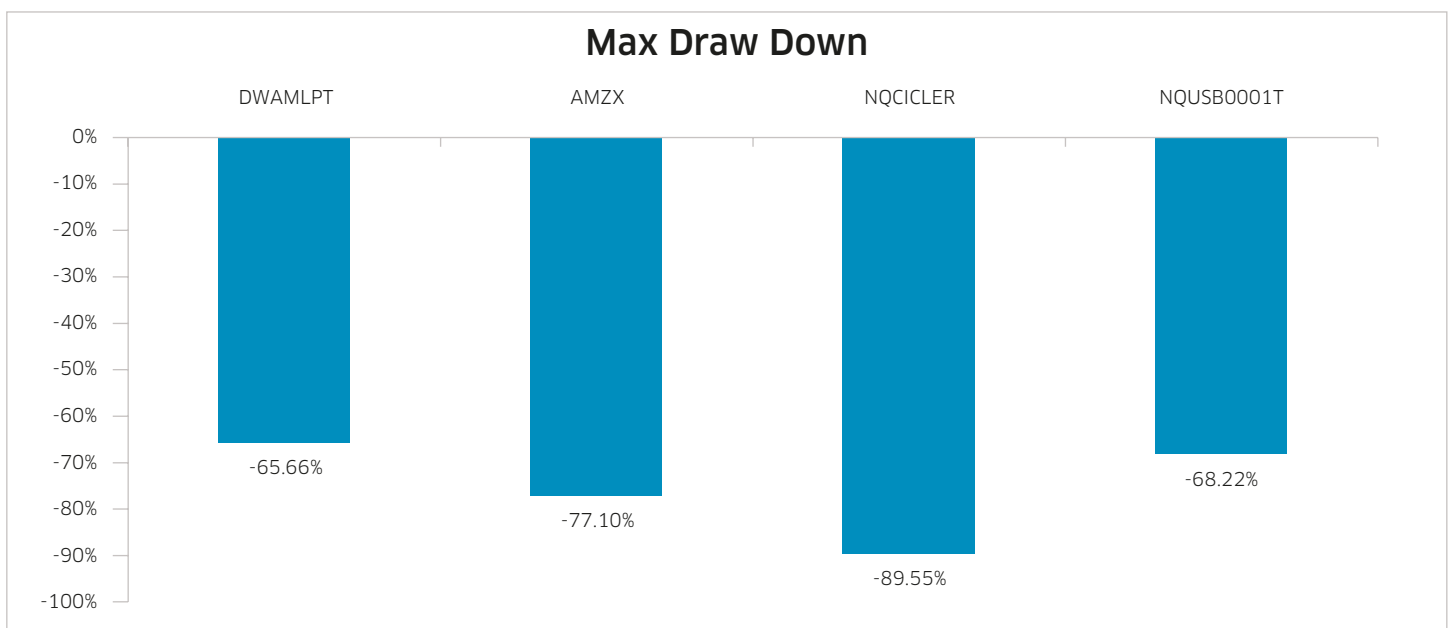
(Data from April 30, 2015 - April 30, 2020)

Digging into more recent returns, DWAMLPT has rebounded off its March 2020 low and has erased over half its losses. Also, when reviewing its recent performance versus its benchmarks over multiple periods such as the 90 days before April 30, 2020, or the prior three-year period starting May 2017, DWAMLPT is outperforming its benchmarks across all periods examined.



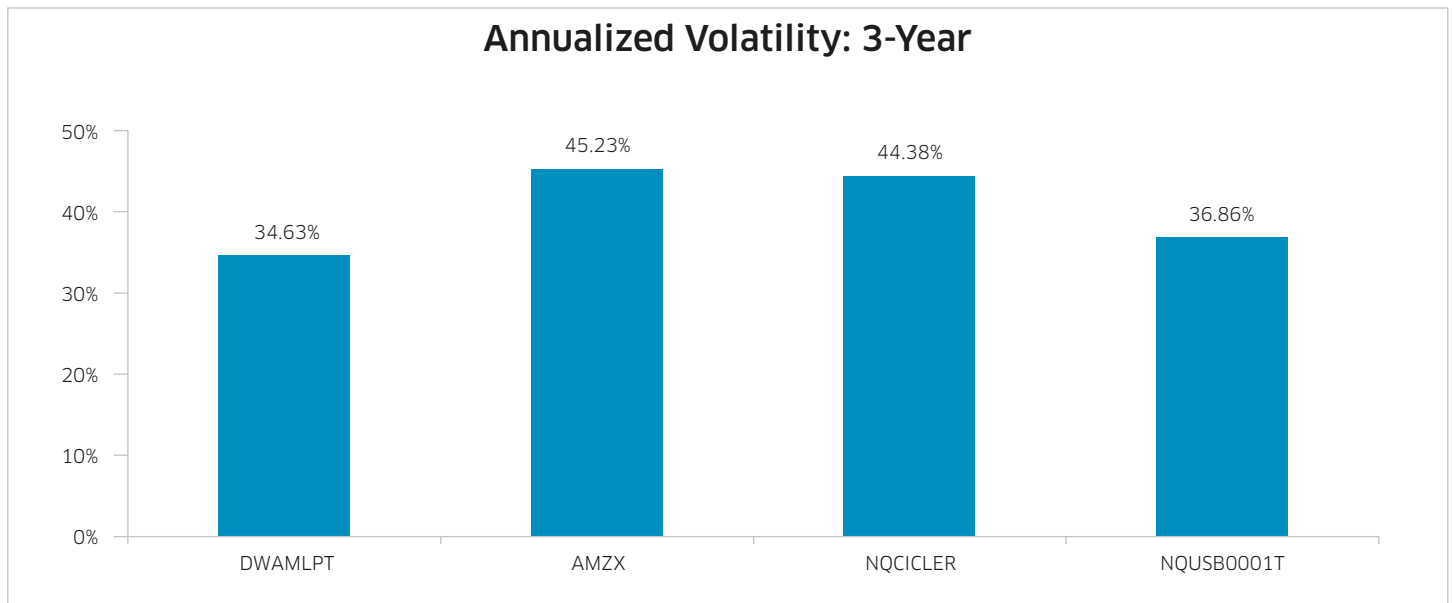
(Data from April 28, 2017 - April 30, 2020)

Below we can see the max draw-down statistics for each of the four indexes. This is often an important factor to consider given the effect severe draw-downs can play in terms of investor sentiment. DWAMLPT follows a strict relative strength-based investment methodology, which helps keep the security selection process objective. DWALP has experienced lower drawdowns than all three benchmarks.



(Data from April 30, 2015 - April 30, 2020)

The three-year annualized volatility for DWAMLPT is 34.63%. This is lower than the volatility of AMZX (45.23%), NQCICLER (44.38%), and NQUSB0001 (36.86%).



(Data from April 28, 2017 - April 30, 2020)

Another way to look at the systematic risk of an investment vehicle is by calculating its “beta” when compared to an allotted benchmark. This figure represents the sensitivity of a security in relation to moves in the market. In this case, we’ve shown several comparisons all of which display a lower beta for DWAMLPT when compared to the energy-related indexes discussed above.

Beta (3-Year, Monthly):

INDEX COMPARISON	BETA
DWAMLPT vs. AMZX	0.85
DWAMLPT vs. NQCICLER	0.51
AMZX vs. NQCICLER	0.60
DWAMLPT vs. NQUSB0001T	0.84
AMZX vs. NQUSB0001T	0.96

(Data through April 30, 2020)

The table below confirms a very high correlation to the benchmark to the traditional MLP sector (AMZX), however, the correlation of DWAMLPT to the oil & gas equities as well as WTI futures is currently quite low (using three-year monthly correlation data).

Correlation Analysis: 3-Year, Monthly Correlation of Return

3-YEAR	DWAMLPT	AMZX	NQCICLER	NQUSB0001
DWAMLPT	1.00			
AMZX	0.99	1.00		
NQCICLER	0.37	0.41	1.00	
NQUSB0001T	0.08	0.11	0.83	1.00

(Data from April 28, 2017 - April 30, 2020)

Summary

MLPs are generally considered a solid source of income with a historically low correlation to other asset classes, such as equities and bonds. While portfolio exposure to MLPs is not without risk, MLPs can be a solution for investors who are looking for income, and choosing a basket of MLPs, like the Dorsey Wright MLP Select Index (DWAMPLP), can help mitigate the investment risk of investing in any single MLP.

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