Salient MLP & Energy Infrastructure Fund
Form 497
May 27, 2011
Table of Contents

PROSPECTUS

5,600,000 SHARES

SALIENT MLP & ENERGY INFRASTRUCTURE FUND

COMMON SHARES

$25.00 per share

The Fund and Our Investment Objective. Salient MLP & Energy Infrastructure Fund (the Fund, we, us, or our) is a newly-organized, non-diversified, closed-end management investment company. Our investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions (Distributions) to our shareholders. There can be no assurance that the Fund will achieve its investment objective. We seek to provide our shareholders with a tax-efficient vehicle to invest in a portfolio of energy infrastructure companies that own midstream and other energy assets. Capitalized terms, not otherwise defined herein, have the meanings ascribed to them in the Glossary of Key Terms on page ii of this prospectus.

Investment Strategies. We seek to achieve our investment objective by investing at least 80% of our total assets in securities of MLPs and Energy Infrastructure Companies (as defined below). We anticipate that the majority of our investments will consist of investments in Midstream MLPs and Midstream Energy Infrastructure Companies (as defined below).

Tax Matters. We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC. As a RIC, we generally will not be required to pay federal income taxes on any ordinary income or capital gains that we receive from our portfolio investments and distribute to our shareholders as dividends. See Tax Matters.

Investment Adviser. We are managed by Salient Capital Advisors, LLC, a Texas limited liability company (SCA), which is a registered investment adviser and, with its affiliates, is a leading investment adviser to other management investment companies and closed-end funds. As of April 28, 2011, SCA and its affiliates managed assets of approximately $17.5 billion, including $250 million in MLPs and Energy Infrastructure Companies.

No Prior Trading History. **Because the Fund is newly organized, its common shares have no history of public trading. The shares of closed-end investment companies frequently trade at a discount from their net asset value, which may increase investor risk of loss. This risk may be greater for investors expecting to sell their shares in a relatively short period after completion of the initial public offering.**

(*continued on next page)*

The Fund has been approved for listing of its Common Shares on the New York Stock Exchange (NYSE), subject to notice of issuance, under the ticker symbol SMF.

Investing in the Fund s common shares involves certain risks. You could lose some or all of your investment. See Risk Factors beginning on page 24 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total(1)
Public offering price	$ 25.00	$ 140,000,000
Sales load(2)	$ 1.125	$ 6,300,000
Proceeds, after expenses, to the Fund(3)	$ 23.825	$ 133,420,000

(1) The Fund has granted the underwriters an option to purchase up to 800,000 additional shares at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover overallotments, if any. If such option is exercised in full, the total public offering price, sales load and proceeds, after expenses, to the Fund will be approximately $160,000,000, $7,200,000 and $152,480,000 respectively. See Underwriting.

(2) The Fund has agreed to reimburse the underwriters for the costs of any required due diligence procedures undertaken by the underwriters. SCA, the adviser to the Fund, has agreed to pay from its own assets a structuring fee to Stifel, Nicolaus & Company, Incorporated and an incentive fee to certain of the underwriters. These items are not reflected under the sales load in the table above. See Underwriting.

(3) Total offering expenses to be paid by the Fund (other than the sales load) are estimated to be approximately $280,000 ($320,000 if the underwriters exercise the over-allotment option in full), which represents $0.05 per share. SCA has agreed to pay all organizational expenses and the amount by which the aggregate of all our offering costs (other than sales load) exceeds $0.05 per share.

The underwriters expect to deliver the shares to purchasers on or about May 31, 2011.

Stifel Nicolaus Weisel **Oppenheimer & Co.** **RBC Capital Markets**

Morgan Keegan **Baird** **BB&T Capital Markets**

Davenport & Company LLC **J.J.B. Hilliard, W.L. Lyons, LLC** **Ladenburg Thalmann & Co. Inc.**

Madison Williams and Company **Maxim Group LLC** **Wedbush Securities Inc.** **Wunderlich Securities**

Prospectus dated May 25, 2011

Table of Contents

Distributions. We intend to make regular Distributions of cash to our common shareholders out of legally available funds. Our Distributions, if any, will be determined by our Board of Trustees (the Board). We expect to declare our initial Distribution within 45 to 60 days following the completion of this offering and pay such initial Distribution approximately 90 days after the completion of this offering. There is no assurance we will continue to pay regular Distributions or that we will do so at a particular rate. See Distributions and Tax Matters.

Leverage. We generally will seek to enhance our total returns through the use of financial leverage, which may include the use of bank debt and other forms of borrowings (Indebtedness) and the issuance of senior securities or preferred shares (Leverage Instruments and, together with Indebtedness, Financial Leverage). Under normal market conditions, our policy is to utilize Financial Leverage in an amount that represents approximately 25% of our total assets, including proceeds from such Financial Leverage. However, based on market conditions at the time, we may use Financial Leverage in amounts that represent greater than 25% leverage to the extent permitted by the Investment Company Act of 1940, as amended. There is no assurance that we will utilize Financial Leverage or, if Financial Leverage is utilized, that it will be successful in enhancing the level of our total return. We do not intend to use Financial Leverage until the proceeds of this offering are substantially invested in accordance with our investment objective. We currently anticipate that we will be able to invest the net proceeds of this offering in accordance with our investment objective within three to six months after the completion of this offering. We may, thereafter, use Financial Leverage. See Use of Leverage Effects of Leverage, Risk Factors Risks Related to Our Business and Structure Use of Leverage, and Description of Common Shares.

You should read this prospectus, which contains important information about the Fund that you should know before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated May 25, 2011, as it may be amended (the SAI), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the SEC) and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the SAI (the table of contents of which is on page 77 of this prospectus), annual and semi-annual reports to shareholders (when available), and additional information about the Fund by calling toll-free at (800) 809-0525, or by writing to the Fund at 4265 San Felipe, Suite 800, Houston, Texas 77027 or visiting the Fund s website (www.salientmlpfund.com). The information contained in, or accessed through, the Fund s website is not part of this prospectus. You may also obtain a copy of the SAI (and other information regarding the Fund) from the SEC s Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, as well as the Fund s annual and semi-annual reports (when available) and other information regarding the Fund, are also available on the SEC s website (www.sec.gov). You may also e-mail requests for these documents to publicinfo@sec.gov or make a request in writing to the SEC s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549-0112.

The Fund s common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. We will advise investors of any material changes to the extent required by applicable law.

TABLE OF CONTENTS

GLOSSARY OF KEY TERMS	ii
PROSPECTUS SUMMARY	1
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	20
FEES AND EXPENSES	21
SALIENT MLP & ENERGY INFRASTRUCTURE FUND	23
USE OF PROCEEDS	23
RISK FACTORS	24
DISTRIBUTIONS	40
DISTRIBUTION REINVESTMENT PLAN	41
INVESTMENT OBJECTIVE AND POLICIES	43
USE OF LEVERAGE	49
MANAGEMENT	52
NET ASSET VALUE	56
DESCRIPTION OF CAPITAL STRUCTURE	59
CLOSED-END FUND STRUCTURE; REPURCHASE OF COMMON SHARES AND CONVERSION TO OPEN-END FUND	63
TAX MATTERS	65
UNDERWRITING	72
TRANSFER AGENT AND ADMINISTRATOR	77
CUSTODIAN	77
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	77
LEGAL MATTERS	77
TABLE OF CONTENTS OF OUR STATEMENT OF ADDITIONAL INFORMATION	78

Table of Contents

GLOSSARY OF KEY TERMS

This glossary contains definitions of certain key terms, as they are used in our investment objective and policies and as described in this prospectus. These definitions may not correspond to standard sector definitions.

Energy Infrastructure Companies means companies that own and operate assets that are used in the energy sector, including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity, or that provide energy-related services. For purposes of this definition, such companies (i) derive at least 50% of their revenues or operating income from operating such assets or providing services for the operation of such assets or (ii) have such assets that represent the majority of their assets.

General Partner MLPs means Master Limited Partnerships whose assets consist of ownership interests of an affiliated Master Limited Partnership (which may include general partner interests, incentive distribution rights, common units and subordinated units).

Master Limited Partnerships means limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for federal income tax purposes.

Midstream Assets means assets used in energy logistics, including, but not limited to, assets used in transporting, storing, gathering, processing, distributing or marketing of natural gas, natural gas liquids, crude oil or refined products.

Midstream Energy Infrastructure Companies means companies, other than Midstream MLPs, that own and operate Midstream Assets. Such companies are not structured as Master Limited Partnerships and are taxed as corporations. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent the majority of their assets.

Midstream MLPs means MLPs that principally own and operate Midstream Assets. Midstream MLPs also include (a) MLPs that provide transportation and distribution services of energy related products through the ownership of marine transportation vessels, (b) General Partner MLPs whose assets consist of ownership interests of an affiliated Midstream MLP and (c) MLP Affiliates of Midstream MLPs.

Midstream Sector consists of (a) Midstream MLPs and (b) Midstream Energy Infrastructure Companies.

MLPs means entities that are structured as Master Limited Partnerships and their affiliates and includes Midstream MLPs, other energy MLPs, and MLP Affiliates.

MLP Affiliates means affiliates of Master Limited Partnerships substantially all of whose assets consist of units or ownership interests of an affiliated Master Limited Partnership (which may include general partner interests, incentive distribution rights, common units and subordinated units) and are structured as C Corporations. MLP Affiliates are not treated as partnerships for federal income tax purposes.

Other Energy Infrastructure Companies means Energy Infrastructure Companies, excluding MLPs and Midstream Energy Infrastructure Companies.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common shares. You should carefully read the entire prospectus, including the documents incorporated by reference into it, particularly the section entitled Risk Factors beginning on page 24, and our Statement of Additional Information. Except where the context suggests otherwise, the terms the Fund, we, us, and our refer to Salient MLP & Energy Infrastructure Fund; and SCA or t Adviser refers to Salient Capital Advisors, LLC, a Texas limited liability company; Salient collectively refers to SCA and its other affiliates, including SCA s manager, Salient Capital Management, LLC, a Delaware limited liability company (SCM), and SCA s parent company, Salient Partners, L.P., a Delaware limited partnership (SPLP). The common shares of beneficial interest offered pursuant to this prospectus are referred to herein as common shares. Unless otherwise defined herein, the Glossary of Key Terms on page ii herein provides the definitions of certain key terms used in this prospectus. Unless otherwise indicated, this prospectus assumes that the underwriters over-allotment option will not be exercised.

THE FUND

Salient MLP & Energy Infrastructure Fund is a newly organized Delaware statutory trust registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act).

INVESTMENT OBJECTIVE

Our investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions (Distributions) to our shareholders. We seek to achieve that objective by investing at least 80% of our total assets in securities of MLPs and Energy Infrastructure Companies. We expect that the majority of our portfolio investments will be in securities of Midstream MLPs and Midstream Energy Infrastructure Companies. There can be no assurance that we will achieve our investment objective. See Investment Objective and Policies.

OUR INVESTMENT ADVISER

SCA, our investment adviser, is responsible for providing us with portfolio investment services, implementing and administering our investment strategy and providing management and administrative assistance in connection with our operations. SCA is a wholly-owned subsidiary of SPLP, and SCA is a SEC-registered investment adviser. As of April 28, 2011, SCA and its affiliates managed assets of approximately $17.5 billion, including $250 million in MLPs and Energy Infrastructure Companies. Salient advises 1940 Act registered closed-end fund complexes with approximately $5.5 billion in assets under management as of April 28, 2011.

Salient and its principals have invested in Midstream MLPs and Midstream Energy Infrastructure Companies since 2003, and Salient has developed an understanding of the North American energy markets that we believe enables it to identify and take advantage of attractive investment opportunities in the Midstream Sector as well as in other MLPs and Energy Infrastructure Companies. In addition, Salient s senior professionals have many long-term relationships with industry managers, which we believe gives Salient an important advantage in making portfolio management decisions and sourcing and structuring private investments.

Pursuant to our investment management agreement, we have agreed to pay SCA, as compensation for the services rendered by it, a management fee equal on an annual basis to 1.20% of our average monthly total assets, computed and paid monthly. During the first 24 months of our investment activities following the completion of this offering, SCA has contractually agreed to waive or reimburse us for a portion of its management fee in an amount equal on an annual basis to 0.20% of our average monthly total assets. See Management Investment Adviser.

Table of Contents

INVESTMENT POLICIES

Under normal market conditions:

- We will invest at least 80% of our total assets in securities of MLPs and Energy Infrastructure Companies.
- We will invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common shares, preferred shares and convertible securities in MLPs, Energy Infrastructure Companies, Midstream MLPs, Midstream Energy Infrastructure Companies and Other Energy Infrastructure Companies.
- We may directly invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of our total assets in equity or debt securities of Master Limited Partnerships. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for federal income tax purposes, or investments made into Master Limited Partnerships by any subsidiary corporation taxable under Subchapter C of the Internal Revenue Code of 1986, as amended (the Code), owned by us (subsidiary C corporation).
- We may invest up to but not more than 25% of our total assets into subsidiary C corporations which in turn may invest up to 100% of their assets into equity or debt securities of Master Limited Partnerships.
- We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Energy Infrastructure Companies.
- We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of MLPs and Energy Infrastructure Companies. For purposes of this limitation, restricted securities include (i) registered securities of public companies subject to a lock-up period, (ii) unregistered securities of public companies with registration rights, (iii) unregistered securities of public companies that become freely tradable with the passage of time, or (iv) securities of privately held companies. However, no more than 10% of our total assets may be invested in equity securities of privately held companies. For purposes of the foregoing, a registered security subject to such a lock-up period will no longer be considered a restricted security upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a restricted security when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a restricted security upon the elapse of the requisite time period.
- We may invest up to but not more than 25% of our total assets in debt securities of Energy Infrastructure Companies. Up to but not more than 15% of our total assets may be invested in unrated debt securities. The balance of such debt investments may be invested in securities which are rated, at the time of investment, at least Baa (or an equivalent rating) by a nationally recognized ratings agency at the time of investment. For the purposes of determining if an investment satisfies this test, we will look to the highest credit rating on such debt investment.
- We may invest up to but not more than 10% of our total assets in any single issuer other than any subsidiary C corporation owned by us.
- We may utilize financial leverage, which may include the use of bank debt and other forms of borrowings (Indebtedness) and the issuance of senior securities or preferred shares (Leverage Instruments and, together with Indebtedness, Financial Leverage) and expect to utilize Financial Leverage in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use Financial Leverage in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. See Use of Leverage, below.

The percentage limitations applicable to our portfolio described above apply only at the time of investment, and we will not be required to sell securities due to subsequent changes in the value of securities we own. However, although we may not be required to sell securities due to subsequent changes in value, if such changes cause us to have invested less than 80% of our total assets in securities

2

Table of Contents

of MLPs and Energy Infrastructure Companies, we will be required to make future purchases of securities in a manner so as to bring us into compliance with this investment policy. We will invest primarily in companies located in North America, but may invest in companies located anywhere in the world. We will invest in companies of any market capitalization.

The following represents the currently anticipated initial target allocations for the portfolio within three to six months after completion of the Fund s offering:

Equity Investments in publicly-traded Midstream MLPs: 25%
Equity Investments in publicly-traded Midstream MLPs through the subsidiary C corporation: 25%
Equity Investments in publicly-traded MLP Affiliates: 20%
Private Investments in pre-IPO Midsteam MLPs and Midstream Energy Infrastructure Companies: 10%
Equity Investments in Midstream Marine Companies[1]: 10%
Investments in Debt Securities of Energy Infrastructure Companies: 5%
Equity Investments in other Energy Infrastructure Companies that are publicly traded: 3%

(1) As used herein, midstream marine companies are public companies that provide transportation and distribution services of energy-related products through the ownership and operation of marine transportation vessels (including tankers, barges and tugboats).

The target allocations are currently anticipated to be invested among approximately 30 to 40 investment holdings.

Target allocations are subject to change. There is no assurance that the target allocations will be achieved, and actual ranges may be significantly different than that shown here. You should keep in mind that the securities markets are volatile and unpredictable. These target allocations are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

USE OF LEVERAGE

As noted above, we generally will seek to enhance our total returns through the use of Financial Leverage, which may include the use of Indebtedness or the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize Financial Leverage in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use Financial Leverage in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. We may not be leveraged at all times and the amount of Financial Leverage, if any, may vary depending on a variety of factors, including the costs that we would incur as a result of leverage, market conditions and available investment opportunities. Financial Leverage creates a greater risk of loss, as well as potential for more gain, for our common shares than if leverage is not used. We do not intend to use Financial Leverage until the proceeds of this offering are substantially invested in accordance with our investment objectives. We currently anticipate that we will be able to invest the net proceeds of this offering in accordance with our investment objective within three to six months after the completion of this offering. We may, thereafter, use Financial Leverage. Certain forms of Financial Leverage may have seniority over our common shares. See Use of Leverage.

Because our Adviser s management fee is based upon a percentage of our total assets, our Adviser s fee will be higher if we employ Financial Leverage. Therefore, our Adviser will have a financial incentive to use Financial Leverage, which may create a conflict of interest between our Adviser and our common shareholders.

There can be no assurance that a leveraging strategy will be used or that it will be successful during any period in which it is used. The use of Financial Leverage involves significant risks. See Risk Factors Risks Related to Our Business and Structure Use of Leverage.

Table of Contents

HEDGING AND OTHER STRATEGIES

We currently expect to utilize hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of our Financial Leverage. Such interest rate swaps would principally be used to protect us against higher costs on our Financial Leverage resulting from increases in both short-term and long-term interest rates. We anticipate that the majority of our interest rate hedges will be interest rate swap contracts with financial institutions.

We also may use various hedging and other risk management strategies to seek to manage various risks including market, credit and tail risks. Such hedging strategies would be utilized to seek to protect the value of our portfolio, for example, against possible adverse changes in the market value of securities held in our portfolio. We may execute our hedging and risk management strategy by engaging in a variety of transactions, including buying or selling options or futures contracts on indexes and entering into total return swap contracts. See Risk Factors Risks Related to Our Investments and Investment Techniques Derivatives Risk.

We may use arbitrage and other strategies to try to generate additional return and protect the downside risk of the portfolio. As part of such strategies, we may purchase call options or put options and enter into total return swap contracts. A total return swap is a contract between two parties designed to replicate the economics of directly owning or shorting a security. We may enter into total return swaps with financial institutions related to equity investments in certain Master Limited Partnerships and Canadian Income Trusts (as defined in the SAI).

In addition, we may engage in paired long-short trades to arbitrage pricing disparities in securities held in our portfolio or sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short position in another security within the same or an affiliated issuer. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See Risk Factors Risks Related to Our Investments and Investment Techniques Short Sales Risk. We do not presently intend to short securities in the portfolio, and do not intend in the future, to the extent short sale transactions occur, to have a net short position that exceeds 30% of our total assets.

To a lesser extent, we currently expect to write call options for the purpose of generating realized gains or reducing our ownership of certain securities. We typically will only write call options on securities that we hold in our portfolio (*i.e.*, covered calls). A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If we write a call option on a security, we have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When we write a call option, an amount equal to the premium received by us will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by us as realized gains from investments on the expiration date. If we repurchase a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether we have realized a gain or loss. We, as the writer of the option, bear the market risk of an unfavorable change in the price of the security underlying the written option.

Table of Contents

We may invest a portion of our assets in shares of initial public offerings (IPOs), consistent with our investment objectives and policies. IPOs may have a magnified impact on the performance of a fund with a small asset base. The impact of IPOs on a fund s performance likely will decrease as such fund s asset size increases, which could reduce such fund s returns. IPOs may not be consistently available to us for investing. IPO shares frequently are volatile in price due to the absence of a prior public market, the small number of shares available for trading and limited information about the issuer. Therefore, we may hold IPO shares for a very short period of time. This may increase turnover and may lead to increased expenses, such as commissions and transaction costs. In addition, IPO shares can experience an immediate drop in value if the demand for the securities does not continue to support the offering price.

CHARACTERISTICS OF THE MIDSTREAM SECTOR

For the reasons discussed below, we believe that the returns for securities issued by companies in the Midstream Sector have the potential to be more attractive on a risk-adjusted basis than investments in other industries.

Stable cash flows. Our investments will be focused on companies that have relatively stable cash flows. In particular, we believe that a substantial portion of the revenues generated by Midstream MLPs and Midstream Energy Infrastructure Companies are derived from customer contracts that are fee-based and have limited commodity price risk. In addition, the fees or tariffs that many Midstream MLPs and Midstream Energy Infrastructure Companies charge their customers are often regulated at the federal or state level, and are often subject to escalation based on the rate of inflation.

MLPs have a track record of distribution stability and distribution growth. As of March 31, 2011, MLPs provided an average annual yield of 6.07%. This yield was calculated based on the simple arithmetic average of the individual yields of all energy infrastructure MLPs as of such date (the MLP universe). In addition, from 2000 through 2010, the annual distributions for MLPs increased at an average annual rate of approximately 7.20%. We continuously monitor for potential MLP investment candidates. Historical performance is not a guarantee of future results.

High barriers to entry. Due to the high cost of construction and the extensive time required to obtain all of the necessary environmental and regulatory approvals to construct new Midstream Assets, the barriers to enter the Midstream Sector are high. As a result, an existing network of Midstream Assets may be difficult to replicate. These barriers to entry create a competitive advantage for existing Midstream MLPs and Midstream Energy Infrastructure Companies with significant operations.

Strategically important assets with market opportunity for growth. Midstream MLPs and Midstream Energy Infrastructure Companies operate assets that are used in the energy sector, including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity that are necessary for providing consumers access to energy-related products. The long-lived assets these companies operate help transport energy from its point of production to its end user. In addition, shifts in domestic supply locations have created the need for additional Midstream Assets. We believe that Midstream MLPs and Midstream Energy Infrastructure Companies are well-positioned to build these necessary assets at attractive rates of return. See Market Opportunity for a more complete discussion on this topic.

COMPETITIVE STRENGTHS

We believe that Salient is particularly qualified and positioned to identify attractive investments in MLPs and Energy Infrastructure Companies due to the following:

Market knowledge, industry relationships and sourcing network. Salient is centrally located in Houston, Texas near major organizations and assets in the Midstream Sector. It is also located near Energy Infrastructure Companies and MLPs that operate other assets that are used in the energy sector,

Table of Contents

including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity. Several of its senior professionals are multi-generation Houstonians. Because of the relationships that Salient s senior professionals have developed with management teams in MLPs and Energy Infrastructure Companies, we believe that we will have access to investment opportunities in our target markets. In addition, we believe that Salient s market knowledge, experience and industry relationships will enable it to recognize long-term trends in the Midstream Sector and to identify differences in value among individual investment opportunities.

Research expertise. Salient s investment team includes individuals with extensive fundamental research expertise. We believe that this expertise will enable our Adviser to identify investments that offer superior potential for income and capital appreciation. In addition, Salient maintains proprietary financial forecast models for a number of the MLPs in the MLP Universe and other Energy Infrastructure Companies that meet the investment criteria for the Fund.

Hedging Expertise. Salient s investment team has considerable experience in hedging MLP portfolios and currently manages in excess of $150 million in MLP long/short hedge fund assets. The team has experience hedging against interest rate, equity risks and credit risks as part of its overall hedging strategy. In addition, Salient s Chief Investment Officer has extensive experience hedging multi-billion dollar institutional investment portfolios and will work closely with the investment team to implement the Fund s top-down hedging strategy.

Access to investments typically unavailable to retail investors. In addition to publicly traded MLPs and Energy Infrastructure Companies, the Fund may invest up to 50% of its total assets in MLPs and Energy Infrastructure Companies through direct placements in unregistered or otherwise restricted securities. In addition, up to 10% of the Fund s total assets may be invested in equity securities of privately held companies. Direct placements and investments in privately held companies offer the potential for increased returns, but are usually available only to a limited number of institutional investors, like the Fund.

Potential benefits from collective exposure to investments in the sector compared to directly holding such investments. The Fund seeks to provide an efficient vehicle through which the Fund s holders may invest in MLPs and Energy Infrastructure Companies. An investment in the Fund offers investors several advantages compared to direct investments in the sector, including the following:

Broad exposure. An investment in the Fund offers through a single investment vehicle broader exposure among investments in the sector than would be possible individually for most investors.

Simplified tax reporting. Investors in the Fund, while gaining exposure to multiple investments in the sector, will receive a single Form 1099, while direct investors would receive a Schedule K-1 from each Master Limited Partnership in which they invest. Direct investors also may be required to file state income tax returns for multiple states in which the Master Limited Partnership operates, while investors in the Fund will not be required to file state income tax returns in any state in which they are not otherwise required to file tax returns.

Potential for inclusion in IRAs and other retirement accounts. Because the Fund s distributions are not considered unrelated business taxable income (UBTI), IRAs, 401(k) plans and other employee benefit plans may invest in the Fund without the adverse tax consequences that would arise from a direct investment in Master Limited Partnerships by such investors.

Certain potential benefits for non-U.S. investors. A non-U.S. shareholder generally would not be subject to regular net based U.S. federal income tax and associated return filing requirements as a result of an investment in the Fund, provided that the non-U.S. shareholder s investment in the Fund is not effectively connected with the shareholder s conduct of a trade or business in the U.S., although U.S. withholding taxes will apply to Fund distributions to such shareholders. Non-U.S. shareholders would generally be subject to regular net based U.S. federal income tax on income from direct investments in MLPs that are treated as effectively connected with a U.S. trade or business.

Table of Contents

MARKET OPPORTUNITY

MLPs and Energy Infrastructure Companies have experienced rapid growth since 1994, expanding to 73 registered Master Limited Partnerships as of December 31, 2010, with a total market capitalization of $220 billion according to FactSet. Even with the advances in energy conservation over recent years, U.S. energy consumption is estimated to grow by 20.47% from 2011 to the year 2035 according to the U.S. Energy Information Administration (the EIA), Annual Energy Outlook 2011, April 2011.

As a result of rapid technological advances in the methods for extracting oil and natural gas, we believe that substantial amounts of new Midstream Assets will need to be built in the United States and Canada. We also believe that these trends are supportive for the future growth of the Midstream Sector, providing a broad range of attractive investment opportunities for the Fund.

Over the last decade, technological advances in the exploration for and production of oil and natural gas have resulted in a substantial increase in both reserves and production. The new technology includes a combination of advances in exploration, drilling and completion techniques that allow development of new and previously uneconomic oil and natural gas reservoirs. Because these reserves are produced from reservoirs that were not economic under conventional extraction methods, these reserves are known as unconventional reserves. Examples of these unconventional reserves in the United States include the Barnett Shale, Haynesville Shale, Woodford Shale, Fayetteville Shale, Eagle Ford Shale, Marcellus Shale and Bakken Shale.

Unconventional reserves are expected to play an increasing role in supplying the future needs for natural gas in the United States. The EIA expects that in 2035, natural gas produced from shale reserves will provide 24% of the natural gas consumed in the United States, up from 6% in 2008. We believe that domestic exploration and production companies will more than double capital spending on unconventional reserves in coming years, which will help facilitate the expected growth in natural gas production.

Largely as a result of the increase in unconventional reserves, there has been a significant increase in the total proven supply of natural gas in the United States. From 2003 to 2008, the EIA s estimate of natural gas reserves rose by almost 30%. In addition to being a plentiful resource, we believe that natural gas provides a step towards energy independence, as domestic natural gas production is equal to approximately 90% of domestic natural gas consumption. Adding to the importance of natural gas is its potential to reduce the environmental impact of burning fossil fuels. Natural gas is the cleanest of all the fossil fuels, with carbon dioxide emissions far lower than that of coal and oil. Natural gas emits fewer overall pollutants than other fossil fuels, and an increased reliance on natural gas in lieu of consuming other fossil fuels can potentially reduce total emission of those pollutants.

Technological advances have also impacted expected domestic production of oil. North Dakota, Montana, and Saskatchewan (Canada) have recently seen growth in the production of oil from the Bakken Shale. Further growth will require additional infrastructure in the region. In 2008, the U.S. Geological Survey (USGS) released an assessment that estimated the Bakken Shale to hold up to 4.3 billion barrels of recoverable oil. This estimate is a 25-fold increase from the USGS s 1995 estimate. Technological improvements have also accelerated the development of Canadian oil sands. Due to the growth of production from the Canadian oil sands, as of March 30, 2011, Canada was the largest exporter of oil to the United States. It is expected that the Canadian oil sands will generate substantial additional infrastructure needs, as the Canadian oil sands may represent as much as 1.7 trillion barrels of hydrocarbons, which is the largest petroleum resource in the world.

Table of Contents

The increased importance of unconventional reserves creates a unique market opportunity for the Midstream Sector, providing a need for substantial energy infrastructure capital expenditures in coming years. A natural gas market study commissioned in 2009 by the Interstate Natural Gas Association of America Foundation noted that to accommodate the geographical shift of natural gas production from mature basins to relatively new areas, it expects a range of investment from $133 to $210 billion of new natural gas Midstream Assets and that the United States and Canada will need approximately 29,000 to 62,000 miles of additional natural gas pipeline and 300 to 370 billion cubic feet of additional storage capacity by 2030. While a substantial portion of such investment will be made by Midstream MLPs, a portion of such investment also will be made by Midstream Energy Infrastructure Companies, some of which will eventually be contributed to or purchased by the Midstream MLPs after such projects are complete. We believe that these trends support future growth of the Midstream Sector and will provide attractive investment opportunities for the Fund.

Salient believes that Master Limited Partnerships represent a timely investment opportunity for total return given both their tax-advantaged distributions and the potential for capital appreciation over time. Master Limited Partnerships combine the tax benefits associated with limited partnerships with the liquidity of publicly traded securities. The Adviser believes that investments in Master Limited Partnerships also offer potential portfolio diversification benefits, based upon their low historical correlations to equities, bonds and commodities.

Table of Contents

THE OFFERING

Common shares offered by us	5,600,000 shares, excluding common shares issuable pursuant to the over-allotment option granted to the underwriters. You must purchase at least 100 common shares ($2,500) in order to participate in this offering.
Common shares to be outstanding after this offering	5,604,000 shares, excluding common shares issuable pursuant to the over-allotment option granted to the underwriters.
NYSE symbol	The Fund has been approved for listing of its Common Shares on the New York Stock Exchange (NYSE), subject to notice of issuance, under the ticker symbol SMF.
Use of proceeds	The net proceeds of the offering of common shares will be approximately $133,420,000 ($152,480,000 if the underwriters exercise the over-allotment option in full) after payment of the estimated offering expenses of $280,000 ($320,000 if the underwriters exercise the over-allotment option in full) and the deduction of the underwriting discount. We currently anticipate that we will be able to invest substantially all of the net proceeds in securities that meet our investment objective and policies within three to six months after the completion of this offering, and we may thereafter use Financial Leverage. It may take up to three to six months to invest the proceeds of this offering for several reasons, including (i) the depth of the trading market for any given Master Limited Partnership, MLP, Energy Infrastructure Company, Midstream MLP, Midstream Energy Infrastructure Company and Other Energy Infrastructure Company and the trading volume of securities for such companies; (ii) the lack of availability of suitable investments; and (iii) delays in completing direct investments in Master Limited Partnerships, MLPs, Energy Infrastructure Companies, Midstream MLPs, Midstream Energy Infrastructure Companies and Other Energy Infrastructure Companies.
	Pending such investments, we anticipate either investing the net proceeds of this offering in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high-quality, short-term or long-term debt obligations or money market instruments. The delay in anticipated use of proceeds could lower the return on our common shares in the first year of investment operations and reduce the amount of cash available to make distributions. See Use of Proceeds.
Distributions	Commencing with our initial Distribution, we intend to make regular Distributions of cash to our common shareholders. Such Distributions will be authorized by our Board of Trustees and declared by us out of funds legally available therefore. We expect to declare our initial Distribution approximately 45 to 60 days following completion of this

offering and to pay such initial Distribution approximately 90 days after the completion of this offering.

There is no assurance that we will continue to pay regular Distributions or that we will do so at a particular rate.

We expect that only a portion of the cash payments that we receive from our investments will constitute investment company taxable income. The balance will be return of capital from such investments. We cannot predict with respect to a given quarter how much of our investment company taxable income will be included in the Distribution we make for that quarter. However, we intend to pay to common shareholders on an annual basis at least 90% of our investment company taxable income. Distributions may also include cash received as return of capital from our portfolio investments or return of our investors capital.

Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require us to provide a written statement accompanying payment from any source other than our income that adequately discloses the source or sources of such payment. Thus, if our capital was the source of a Distribution, and the payment amounted to a return of capital, we would be required to provide written notice to that effect. Nevertheless, shareholders who periodically receive Distributions from us may be under the impression that such payments are made from our income, when, in fact, they are not. The amount of our Distribution that constitutes a return of capital represents a return of a shareholder s original investment in our shares. Accordingly, shareholders should carefully read any written disclosure accompanying a Distribution and should not assume that the source of payment is our income.

Various factors will affect the levels of cash that we receive from our investments, as well as the amounts of income and return of capital represented by such cash. To permit us to maintain a more stable Distribution, we may distribute less or more than the entire amount of cash that we receive from our investments in a particular period. Any undistributed cash would be available to supplement future Distributions, and until distributed would add to our net asset value. Correspondingly, once distributed, such amounts will be deducted from our net asset value. See Distributions.

Federal income tax status

We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC, under the Code. As a RIC, we generally will not be required to pay federal income taxes on any ordinary income or capital gains that we receive from our portfolio investments and distribute to our shareholders. To qualify as a RIC and maintain our RIC

Table of Contents

status, we must meet specific source-of-income and asset diversification requirements and distribute in each of our taxable years at least 90% of the sum of our investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest out of assets legally available for distribution. If, in any year, we fail to qualify as a RIC under the applicable tax laws, we would be taxed as an ordinary corporation. In such circumstances, we could be required to recognize unrealized gains, pay substantial taxes and make substantial Distributions before requalifying as a RIC that is accorded special tax treatment. See Tax Matters.

Under the current tax diversification rules applicable to RICs, we may directly invest up to 25% of our total assets in equity or debt securities of Master Limited Partnerships that are treated as qualified publicly traded partnerships under the Code. In order to increase our investments in Master Limited Partnerships, we may invest in one or more subsidiary C corporations that invest in Master Limited Partnerships. Any such subsidiary C corporation will be subject to federal corporate income tax on its income, regardless of whether such income is distributed to us. For a more complete discussion of our portfolio composition, see Investment Objective and Policies.

Shareholder tax features

Excluding the impact of any realized gains or realized losses, we expect that a portion of our Distributions to our common shareholders may constitute a non-taxable return of capital distribution. If we distribute investment company taxable income from current and accumulated earnings and profits (which includes realized gains or realized losses, if any) as computed for federal income tax purposes, such Distributions will generally be taxable to shareholders in the current period as ordinary income for federal income tax purposes. If such Distributions exceed our current and accumulated earnings and profits as computed for federal income tax purposes, such excess Distributions will constitute a non-taxable return of capital to the extent of a common shareholder s basis in our common shares and will result in a reduction of such basis. To the extent such excess exceeds a common shareholder s basis in our common shares, such excess will be taxed as capital gain. A return of capital represents a return of a shareholder s original investment in our shares, and should not be confused with a dividend from earnings and profits. Upon the sale of common shares, our common shareholder generally will recognize capital gain or loss measured by the difference between the sale proceeds received by our common shareholder and our common shareholder s federal income tax basis in our common shares sold, as adjusted to reflect return of capital. We may also make distributions of net capital gains in the form of capital gain dividends, which generally will be taxable to shareholders as long-term capital gain for federal income tax purposes. See Tax Matters.

Risk considerations

Investing in our securities involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a potential investor should carefully consider before deciding whether to invest in our securities offered hereby.

NO OPERATING OR TRADING HISTORY

The Fund is a newly organized, non-diversified, closed-end management investment company and has no operating or public trading history. Being a newly organized company, the Fund is subject to all of the business risks and uncertainties associated with any new business, including the risk that the Fund will not achieve its investment objective and that the value of an investment could decline substantially.

INVESTMENT AND MARKET RISK

An investment in the Fund s common shares is subject to investment risk, including the possible loss of the entire amount that you invest. An investment in our common shares is not intended to constitute a complete investment program and should not be viewed as such. The value of the securities in which we invest, like other market investments, may move up or down, sometimes rapidly and unpredictably. Your investment in our common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our Distributions.

MARKET DISCOUNT RISK

Shares of closed-end management investment companies frequently trade at prices lower than their net asset value.

DILUTION RISK

Any increase in the number of our outstanding common shares in a future offering will cause dilution for existing shareholders, may put downward pressure on the market price of our common shares, will cause the voting power of shareholders to be diluted and may cause our per share distribution to decrease.

Table of Contents

NON-DIVERSIFIED STATUS

Risk is increased to the extent we invest in securities of a small number of issuers. Credit, market and other risks may be more pronounced for us than for a fund that is more diversified.

MIDSTREAM SECTOR RISK

Certain risks inherent in investing in Energy Infrastructure Companies include changes in the supply and demand for natural resources, depletion of reserves, changes in governmental regulations, changes in commodity prices, inability to consummate acquisitions or realize the benefits therefrom, dependency on affiliates, the occurrence of significant natural or man-made catastrophes, terrorist activities, government instability and the occurrence of extreme weather conditions.

DELAY IN USE OF PROCEEDS

We intend to invest the proceeds of this offering in accordance with our investment objective within three to six months after the closing of this offering. Investments may be delayed and may take up to six months if suitable investments are unavailable at the time, if we are unable to secure firm commitments for direct investments, if market conditions and trading volumes of the securities of Midstream MLPs and Midstream Energy Infrastructure Companies in which we intend to invest are not favorable at the time, or for other reasons.

CASH FLOW RISK

A substantial portion of the cash flow received by us is derived from our investment in equity securities of Energy Infrastructure Companies. The amount of cash that any such company has available to pay its equity holders in the form of distributions/dividends depends on the amount of cash flow generated from such company s operations.

INTEREST RATE RISK

The yields for equity securities of MLPs and certain Midstream MLPs and Midstream Energy Infrastructure Companies are susceptible in the short-term to fluctuations in interest rates, and the prices of such equity securities may decline when interest rates rise. Rising interest rates could adversely impact the financial performance of energy companies by increasing their cost of capital.

Table of Contents

CAPITAL MARKETS RISK

Global financial markets and economic conditions have been, and continue to be, volatile due to a variety of factors. As a result, the cost of raising capital in the debt and equity capital markets has increased while the ability to raise capital from those markets has diminished. If funding is not available when needed, or is available only on unfavorable terms, Energy Infrastructure Companies may not be able to meet their obligations as they come due. Moreover, without adequate funding, Energy Infrastructure Companies may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

TAX RISKS