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Salient MLP & Energy Infrastructure Fund
Form N-2
March 07, 2011

As filed with the Securities and Exchange Commission on March 7, 2011

1933 Act File No. •
1940 Act File No. 811-22530

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form N-2
b REGISTRATION STATEMENT UNDER THE SECURITIES
ACT OF 1933
o PRE-EFFECTIVE AMENDMENT NO.
o POST-EFFECTIVE AMENDMENT NO.
and/or
b REGISTRATION STATEMENT UNDER THE INVESTMENT
COMPANY ACT OF 1940
o AMENDMENT NO.

Salient MLP and Energy Infrastructure Fund
(Exact Name of Registrant as Specified in Charter)

4265 San Felipe, Suite 800
Houston, Texas 77027
(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (713) 993-4675

A. Haag Sherman
Salient MLP and Energy Infrastructure Fund
4265 San Felipe, Suite 800
Houston, Texas 77027
(Name and Address of Agent for Service)

Copies of Communications to:

George J. Zornada
K&L Gates LLP
One Lincoln Street
Boston, Massachusetts 02111

Richard H. Kronthal
Andrews Kurth LLP
450 Lexington Avenue
New York, New York 10017

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

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It is proposed that this filing will become effective (check appropriate box): when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares of Beneficial Interest, \$0.01 par value per share	40,000	\$25.00	\$1,000,000	\$116.10

(1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registrant Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED MARCH 7, 2011

• SHARES

SALIENT MLP AND ENERGY INFRASTRUCTURE FUND

COMMON SHARES

\$• per share

The Fund and Our Investment Objective. Salient MLP and 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 companies in the Midstream/Energy Sector, consisting of: (a) Midstream MLPs, (b) Midstream Companies, (c) Other MLPs and (d) Other Energy Companies. We anticipate that the majority of our investments will consist of investments in Midstream MLPs and Midstream Companies.

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 with its affiliates is a leading investment adviser to other management investment companies and closed-end funds. As of •, 2011, SCA and its affiliates managed assets of approximately \$17.5 billion, including \$250 million in the Midstream/Energy Sector and over \$300 million in Energy 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's common shares have been approved for listing on the • (the "•"), subject to notice of issuance, under the trading or "ticker" symbol "•".

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 • of this prospectus.

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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	\$.	
Sales load(2)	\$.	
Proceeds, after expenses, to the Fund(3)	\$.	

(1) The Fund has granted the underwriters an option to purchase up to • additional shares at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover overallocments, 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 \$ •, \$ • and \$ •, respectively. See "Underwriting."

(2) SCA, the adviser to the Fund, has agreed to pay from its own assets an upfront fee to each of [Underwriters]. These fees are not reflected under 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 \$ •, which represents \$0.• per share, which will reduce the "Proceeds, after expenses, to the Fund" 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.• per share.

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

Stifel Nicolaus Weisel

RBC Capital Markets

Morgan Keegan

Oppenheimer & Co.

Baird

Prospectus dated •, 2011

Distributions. We intend to pay Distributions to our 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 90 days following the completion of this offering and pay such initial Distribution no later than •, 2011. 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 issuance of debt and preferred shares (each a "Leverage Instrument" and collectively "Leverage Instruments"). Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments 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, and 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 •, 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 • of this prospectus), annual and semi-annual reports to shareholders (when available), and additional information about the Fund by calling toll-free at •, or by writing to the Fund at 4265 San Felipe, Suite 800, Houston, Texas 77027 or visiting the Fund's website (www. •). 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.

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.

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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.

"Canadian Income Trust" means a qualified income trust designated by the Canada Revenue Agency that derives income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipeline transporting gas, oil, or products thereof), or the marketing of any mineral or natural resources.

"Energy Assets" means 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.

"Energy Companies" means companies that own and operate Energy Assets or provide energy-related services. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Energy Assets or providing services for the operation of such Energy Assets or (ii) have Energy 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 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/Energy Sector" consists of (a) Midstream MLPs, (b) Midstream Companies, (c) Other MLPs and (d) Other Energy Companies.

"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 Companies.

"MLPs" means entities that are structured as Master Limited Partnerships and their affiliates and includes Midstream MLPs, Other 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 Companies" means Energy Companies, excluding MLPs and Midstream Companies.

"Other MLPs" consist of (a) upstream MLPs, (b) coal MLPs, (c) propane MLPs and (d) MLPs that operate other Energy Assets or provide energy-related services other than Midstream MLPs.

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 i, and our Statement of Additional Information. Except where the context suggests otherwise, the terms the "Fund," "we," "us," and "our" refer to Salient MLP and Energy Infrastructure Fund; and "SCA" or the "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 and 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 companies in the Midstream/Energy Sector. We expect that the majority of our portfolio investments will be in securities of Midstream MLPs and Midstream Companies. There can be no assurance that we will achieve our investment objective. See "Investment Objective and Policies."

OUR INVESTMENT ADVISER

SCA is our investment adviser, responsible for implementing and administering our investment strategy. SCA is a wholly-owned subsidiary of SPLP, and SCA is a SEC-registered investment adviser. As of , SCA and its affiliates managed assets of approximately \$17.5 billion, including \$· in the Midstream/Energy Sector (of which \$· was invested in Midstream MLPs and Midstream Companies).

Salient and its principals have invested in Midstream MLPs and Midstream Companies since 1995, 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/Energy Sector. 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 management fees in an amount equal on an annual basis to 0.20% of our average monthly total assets. See "Management—Investment Adviser."

INVESTMENT POLICIES

Under normal market conditions:

Ø

We will invest at least 80% of our total assets in securities of companies in the Midstream/Energy Sector.

1

- Ø 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, Midstream Companies and Other Energy Companies.
- Ø 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 MLPs 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").
- Ø 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.
- Ø We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Companies.
- Ø We may invest up to but not more than 50% of our total assets in securities of Other MLPs.
- Ø We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector. 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.
- Ø We may invest up to but not more than 25% of our total assets in debt securities of Energy 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 · (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.
- Ø 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.
- Ø We may utilize financial leverage, which may include bank debt and other forms of borrowings and which also may include the issuance of debt and preferred shares (each a "Leverage Instrument" and collectively, "Leverage Instruments") and expect to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use

Leverage Instruments in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. See "Use of Financial 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 of companies in the Midstream/Energy Sector, 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.

USE OF FINANCIAL LEVERAGE

As noted above, we generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use Leverage Instruments 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 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. Leverage creates a greater risk of loss, as well as potential for more gain, for our common shares than if leverage is not used. Leverage Instruments will have seniority over our common shares. We do not intend to use Leverage Instruments until the proceeds of this offering are substantially invested in accordance with our investment objectives. 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 leverage. Therefore, our Adviser will have a financial incentive to use 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 leverage involves significant risks. See "Risk Factors—Risks Related to Our Business and Structure—Use of Leverage."

DERIVATIVES 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 Leverage Instruments. Such interest rate swaps would principally be used to protect us against higher costs on our Leverage Instruments 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 may use short sales, 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 (i) engage in paired long-short trades to arbitrage pricing disparities in securities held in our portfolio; (ii) purchase call options or put options; (iii) enter into total return swap contracts; or (iv) 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 intend to have a net short position that exceeds 30% of our total assets. 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.

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."

To a lesser extent, we currently expect to write call options for the purpose of generating additional income and realized gains or reducing our ownership of certain securities. We 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.

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.

- Ø 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 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 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.
- Ø MLPs have a track record of distribution stability and distribution growth. As of January 31, 2011, MLPs provided an average annual yield of 6.60%. 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.
- Ø 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 Companies with significant operations.
- Ø Strategically important assets with market opportunity for growth. Midstream MLPs and Midstream Companies operate Energy

Assets 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 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 the Midstream/Energy Sector due to the following:

- Ø Market knowledge, industry relationships and sourcing network. Salient is centrally located in Houston, Texas near major organizations and assets in the Midstream/Energy sector, and several of its senior professionals are multi-generation Houstonians. Because of the relationships that Salient's senior professionals have developed with management teams in the Midstream/Energy sector, 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/Energy sector and to identify differences in value among individual investment opportunities.

- Ø 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 companies that meet the investment criteria for the Fund.

- Ø 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.