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31

VOLUME 23 | EDITION 04



Karmin Capital Management LLC

Philip J. Karmin, Senior Managing Director

“Why are master limited partnerships for pipelines attractive investments?”

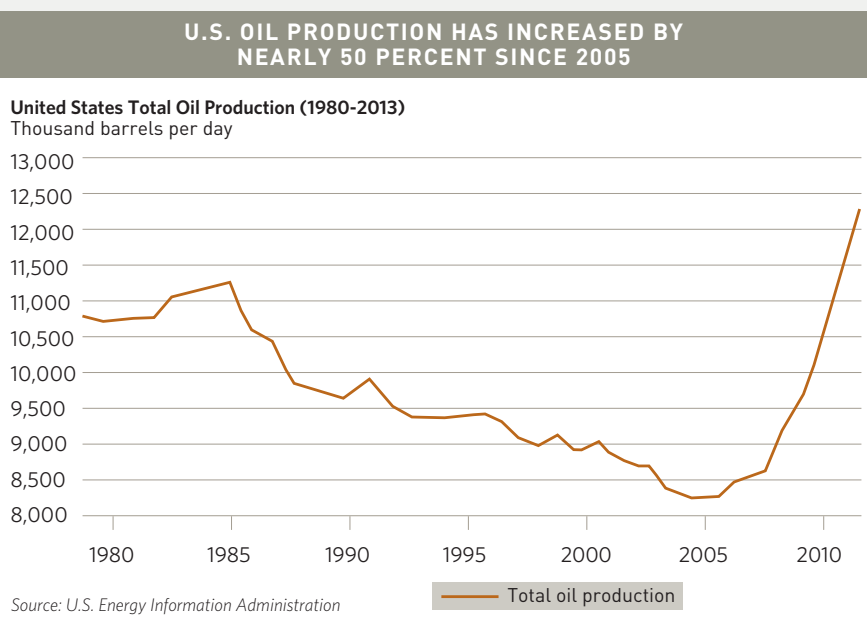
By Philip J. Karmin

Before we look at investing in pipeline master limited partnerships (MLPs), let's first review how MLPs may be an investment vehicle for high net worth individuals and households.

An energy MLP is a limited partnership that is publicly traded on a securities exchange. MLPs offer liquidity features as publicly traded securities, and income from MLP distributions is tax deferred. Meaning that if you choose not to liquidate your MLP holding, you will not pay any tax on that income for some time. Additionally, should you choose to liquidate your MLPs, any increase in valuation you accrue will be taxed not as income, but at the capital gains rate.

Particularly good news for pipeline MLPs is the resurgence of the United States as an energy producer. Natural gas production in the United States has increased by over 40 percent in the last decade, and today America is the world's largest producer. U.S. oil production has risen from just over 8 million barrels a day in 2005 to more than 12 million barrels daily in 2013, which surpasses the nation's 1985 production of over 11 million barrels each day (see graphic).

Given this jump in production, transporting raw energy from its source to refineries, and ultimately to consumers, has triggered a dramatic rise in demand for infrastructure. This has not only kept existing pipelines working at capacity, but has also spurred production of new



pipelines. One symptom of the strain this increase has put on the pipeline system is the rising use of rail lines to transport oil and gas around the country.

While demand has enriched the valuation of infrastructure, mergers and acquisitions may be on the rise in the sector. Consistent demand drives this performance, which is why we often compare pipelines to toll roads. Every time a company “drives” its gas or oil through a pipeline, the company owning it charges a “toll.” The more energy traffic that occurs and the more tolls that are paid, the more revenue

will accrue to the pipeline company.

When you invest, you can choose an index MLP comprised of up to 100 companies, or buy an individual firm's MLP offering. That said, when going the individual-company route, we usually buy several MLPs and differentiate them in terms of geography and energy types so the investor gets a diversified portfolio.

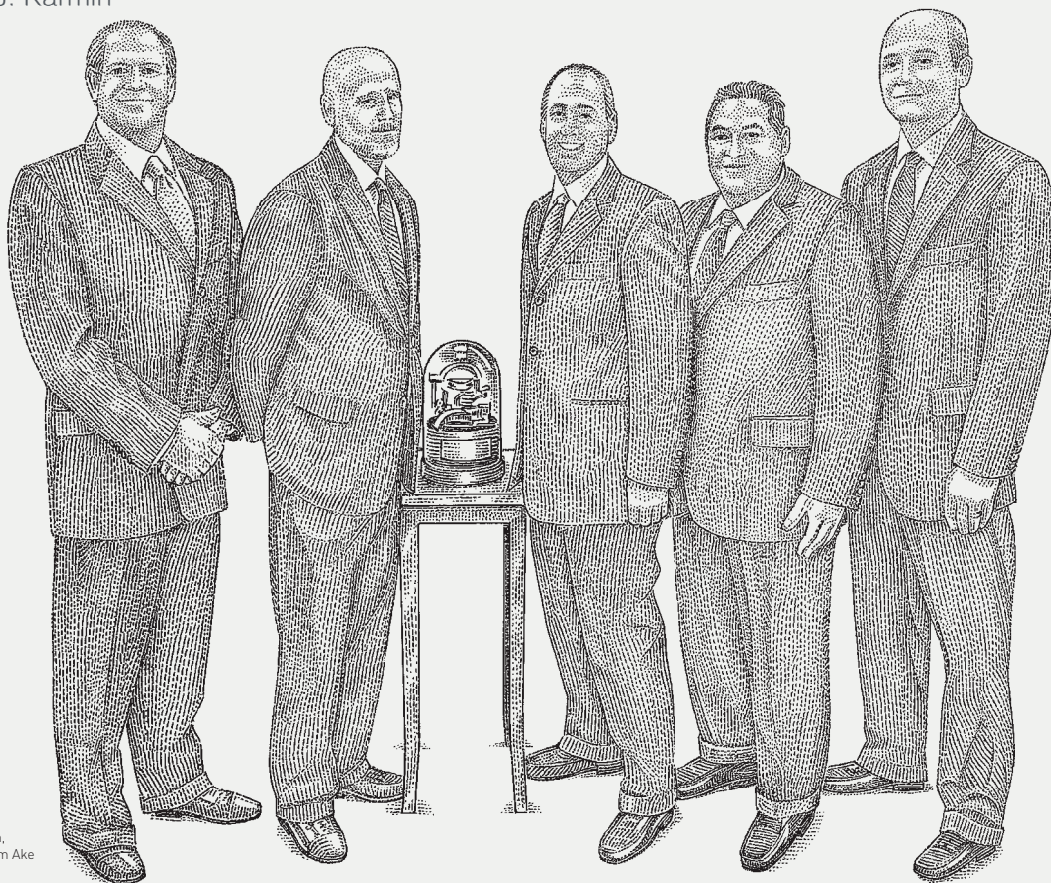
Bottom line, given the energy being found in this country and the subsequent demand on U.S. infrastructure, and pipelines in particular, MLPs in this sector may provide additional diversification to a portfolio. ☺

“Because of all the energy being found in this country and the demand on U.S. infrastructure, MLPs in this sector may provide additional diversification to a portfolio.”

—Philip J. Karmin

How to reach **Philip J. Karmin**

Our individual investment process begins with a discussion to understand your goals and needs. Please call me at 847.559.9700 to arrange an initial consultation.



Left to right: Jay Brahin, Peter Karmin, Philip J. Karmin, Thomas Weil, William Ake

About Philip J. Karmin

Philip J. and Kurt Karmin established Karmin Capital Management LLC in January 2012. Western International Securities Inc. serves as broker/dealer and J.P. Morgan Clearing Corp. serves as custodian of assets. Prior to starting their own firm, the Karmins worked with Drexel Burnham Lambert, Rodman and Renshaw, S.G. Cowen, Morgan Stanley and Burnham Securities. Philip holds a Series 7 Brokerage license, a Series 24 Principal's license, Series 9 and 10 Supervisor licenses, and Series 63 and 65 Registered Investor Advisor licenses. Philip received his bachelor's degree from Washington University in St. Louis. He resides in Highland Park, Ill., with his wife and three children.

Financial Services Experience
28 years

Assets Under Management
\$716 million (as of 7/15/14, includes
brokerage and advisory assets)

Compensation Method
Asset-based fees

Primary Custodian for Investor Assets Accounts introduced to JP Morgan
Clearing Corp. for custody by Western International Securities

Professional Services Provided
Investment advisory services and money management

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