

**Part 2A of Form ADV: *Firm Brochure***

**Salient Capital Advisors, LLC**

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This brochure provides information about the qualifications and business practices of Salient Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 713-993-4675 or [pbachtold@salientpartners.com](mailto:pbachtold@salientpartners.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Salient Capital Advisors, LLC is a Registered Investment Advisor. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Salient Capital Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 153914.



## **Item 2    Material Changes**

The following is a summary of material changes to Part 2A of Form ADV since the last annual amendment filed with the SEC on 03/27/2019. This section only reflects material changes since the last annual amendment of the Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

### ***Summary of Material Changes:***

- All applicable items were revised to 1) reflect the Adviser is no longer registered as a Commodity Trading Advisor and Commodity Pool Operator with the Commodity Futures Trading Commission and is no longer a member of the National Futures Association, and 2) disclose the Adviser can use fundamental and quantitative processes to inform its security selection process. (Revised 11/26/2019)
- Item 5 "Fees and Compensation" was revised to 1) disclose the Adviser's policy regarding Closed and Liquidated Private Funds – Receipt of Proceeds After Completion of Liquidating Distributions, and 2) disclose the Adviser's policy regarding most favored nation clauses. (Revised 11/26/2019 and 03/20/2020)
- Item 10 "Other Financial Industry Activities and Affiliations" was revised to remove affiliated pooled investment vehicles. (Revised 03/20/2020)
- Item 17 "Voting Client Securities" was revised to disclose the Adviser has contracted with Glass, Lewis & Co., LLC to handle the administration and voting of client proxies. (Revised 11/26/2019)



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## **Item 4    Advisory Business**

Salient Capital Advisors, LLC (the “Adviser”) is an SEC-registered investment adviser with its principal place of business located in Texas. Salient Capital Advisors, LLC began conducting business in 2010.

Listed below are the firm's principal owners (i.e., those individuals and/or entities controlling 25% or more of this company).

- Salient Partners, L.P., Member

The Adviser has an Investment Committee which oversees its operations and investment advisory services. The Investment Committee is comprised of senior management.

These individuals, and other affiliated persons of the Adviser, are also owners, officers, and/or employees of Salient Partners, L.P. Research, analysis, and allocation of investment opportunities will be shared by Adviser and affiliates of Salient Partners, L.P.

Salient Capital Advisors, LLC offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to clients regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. Our clients will sign a written advisory agreement to begin the supervision process.

During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review and discuss a client's prior investment history.

We manage these advisory accounts on a discretionary basis through the use of separately managed accounts. Separately managed accounts can use fundamental and quantitative processes to inform their security selection process. Account supervision is guided by the client's stated objectives, as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. Our firm may recommend investments in funds managed by us or our affiliated advisers and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter



- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Closed-end funds
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships and limited liability companies investing in oil and gas interests
- Interests in our affiliated partnerships and funds

Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Salient Capital Advisors, LLC's investment management services are also available through unaffiliated registered investment advisors as a sub-advisor. As a sub-advisor, Salient Capital Advisors, LLC does not enter into or maintain any contract with the unaffiliated advisor's clients. The unaffiliated advisor will enter into an agreement with Salient Capital Advisors, LLC, which allows the unaffiliated advisor to utilize Salient Capital Advisors, LLC to provide investment management services to its clients. Each client will enter into an investment advisory agreement with the unaffiliated advisor. These clients remain the sole clients of the unaffiliated investment advisor, and Salient Capital Advisors, LLC relies solely on the unaffiliated advisor's recommendations and makes no claim for the suitability of any investment management services offered to clients of the unaffiliated advisor. Under each agreement, Salient Capital Advisors, LLC is granted discretionary authority to invest clients' assets in accordance with client instructions and restrictions, if any, as communicated by the unaffiliated advisor.

## **MODEL PORTFOLIOS TO MODEL DELIVERY SPONSORS**

In limited circumstances, the Adviser provides model portfolios to Model Delivery Sponsors (each a "Model Sponsor") who in turn utilize such information in their own investment programs. The Adviser does not act as investment adviser to clients of a Model Sponsor, but provides a Model Sponsor with certain model portfolios from time to time that a Model Sponsor may consider when managing client accounts. Some model portfolios that are provided to Model Sponsors include information regarding MLP trades. MLPs may be thinly traded. Because a Model Sponsor may initiate trading based on the Adviser's model portfolio information before or at the same time the Adviser is also trading for its own client accounts, providing such model portfolios to third parties presents a conflict of interest relating to clients of the Adviser (including retail accounts and affiliated Funds with MLP trading strategies). To identify and mitigate such conflicts of interest, the Adviser has adopted a trade rotation policy as it relates to MLP trades. The policy establishes that MLP trades in retail accounts be submitted before institutional and investment fund accounts, except with respect to trades



submitted on behalf of an institutional account subject to terms requiring directed brokerage of trades. The trade rotation policy is monitored by the Chief Compliance Officer, or designee.

For soft dollar trades, these trades will not be designated as trades that are blocked with any other institutional account or investment fund. In the event a soft dollar trade is initially blocked with an institutional account or investment fund, the trade will be unblocked prior to execution, and the Adviser will execute the smaller of the soft dollar trade and remaining blocked trade first, in order to not adversely impact other institutional or investment fund accounts.

## **INVESTMENT MANAGEMENT SERVICES POOLED INVESTMENT VEHICLES**

The Adviser provides investment advisory services to the Salient MLP Fund, L.P.; the Salient MLP Total Return Fund, L.P.; the Salient MLP Total Return TE Fund, L.P.; the Salient MLP & Midstream Income Fund, L.P.; the Salient Midstream & MLP Fund and the Salient MLP & Energy Infrastructure Fund.

The Salient MLP Fund, L.P., the Salient MLP Total Return Fund, L.P., the Salient MLP Total Return TE Fund, L.P. and the Salient MLP & Midstream Income Fund, L.P., Delaware limited partnerships, are not registered under the Investment Company Act of 1940, as amended (the “1940 Act”) in reliance on the Section 3(c)(7) exemption under the 1940 Act. Furthermore, investment interests are not registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on Section 4(2) and Regulation D, promulgated thereunder. The investment advisory services provided to the Salient MLP Fund, L.P. are governed by an investment management agreement between the Fund, Salient Capital Advisors, LLC and the Fund’s General Partner, RDG MLP Fund GP LP. The investment advisory services provided to the Salient MLP Total Return Fund, L.P., the Salient MLP Total Return TE Fund, L.P. and the Salient MLP & Midstream Income Fund, L.P. are governed by separate investment management agreements between each Fund, Salient Capital Advisors, LLC and the Funds’ General Partner, Salient MLP GP, LLC. The investment management agreements for the Salient MLP Fund, L.P., the Salient MLP Total Return Fund, L.P. and the Salient MLP Total Return TE Fund, L.P. may be terminated by any party thereto, without penalty, upon at least seventy-five (75) days’ prior written notice. The investment management agreement for the Salient MLP & Midstream Income Fund, L.P. may be terminated by any party thereto, without penalty, upon at least sixty (60) days’ prior written notice.

The Salient MLP Fund, L.P. invests in a diversified portfolio of Master Limited Partnerships (“MLPs”) or total return swaps linked to the total return of MLPs and other high income yield equity and debt securities.

The Salient MLP Total Return Fund, L.P. and the Salient MLP Total Return TE Fund, L.P. invests in a diversified portfolio of midstream energy infrastructure companies, midstream MLPs or total return swaps linked to the total return of midstream MLPs, other energy infrastructure companies, and other infrastructure securities.

The Salient MLP & Midstream Income Fund, L.P. invests in a diversified portfolio of MLPs and midstream equity, debt and preferred securities of issuers that operate in the midstream sector of the North American energy industry.



The Salient Midstream & MLP Fund, a Delaware statutory trust, is a non-diversified, closed-end management investment company registered under the 1940 Act and the Securities Act. The investment advisory services provided to the Salient Midstream & MLP Fund are governed by an investment management agreement between the Salient Midstream & MLP Fund and Salient Capital Advisors, LLC. The investment management agreement may be terminated by either party, without penalty, upon sixty (60) days' prior written notice.

The Salient Midstream & MLP Fund invests at least 80% of its total assets in securities of Midstream Companies and MLPs.

The Salient MLP & Energy Infrastructure Fund is a series of Salient MF Trust, a Delaware statutory trust and an open-end management investment company registered under the 1940 Act and the Securities Act. The investment advisory services provided to the Salient MLP & Energy Infrastructure Fund are governed by an investment management agreement between the Salient MLP & Energy Infrastructure Fund and Salient Capital Advisors, LLC. The investment management agreement may be terminated by either party, without penalty, upon sixty (60) days' prior written notice.

The Salient MLP & Energy Infrastructure Fund invests at least 80% of its net assets in securities of MLPs and Energy Infrastructure Companies.

Salient Capital Advisors' clients are solicited to invest in the Salient MLP Fund, L.P., the Salient MLP Total Return Fund, L.P., the Salient MLP Total Return TE Fund, L.P., the Salient MLP & Midstream Income Fund, L.P., the Salient Midstream & MLP Fund and the Salient MLP & Energy Infrastructure Fund.

## **PUBLICATION OF PERIODICALS OR NEWSLETTERS**

We also issue research reports and develop other products derived from market research. Our market research reports and other products differ from traditional investment research because they focus on macroeconomic conditions, business trends in particular industries and industry conditions, rather than on statistical analysis or financial valuation or earnings models of individual issuers. We use our research reports in connection with providing investment advice to the funds and individual client accounts we manage. We also use our research reports in communications to fund and individual client account investors, including potential investors.

### ***Amount of Managed Assets:***

As of 12/31/2019, we were actively managing \$3,885,085,922 of clients' assets on a discretionary basis.



## Item 5 Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT

Our annual fees for investment supervisory services are based upon a percentage of assets under management.

Fees for investment supervisory services are billed quarterly, in arrears, at the end of each calendar quarter, based upon the monthly average market value of such client's account assets during the preceding calendar quarter. Certain institutional separately managed account clients may have individually negotiated fee calculation methodologies separate and distinct from the aforementioned standard billing procedures. For third party platform and institutional accounts, the Adviser typically invoices the client and/or custodian directly.

#### Alternative Investments

##### Adviser Affiliated Funds

See Fund Prospectus for Fees and Charges. Managed Account fees do not apply to funds invested in Adviser Affiliated Funds.

##### Non-Affiliated Funds (Third Party)

Management or Advisory Fees charged by non-affiliated managers are separate and apart from our Managed Account Fees on such managers. We aggregate the assets managed by third party managers in calculating our Managed Account fee break points. Any rebates, fee participation, or placement fees paid by the respective Managers to the Adviser shall credit or offset the Managed Account fees.

#### Separately Managed Accounts

Fees for separately managed accounts may be negotiable. Certain institutional accounts may be charged a performance fee. Separately managed accounts comprised of securities in the MLP and Energy Equity sectors will follow the Fee Schedule below.

##### Fee Schedule

|                    |       |                    |
|--------------------|-------|--------------------|
| First \$25 Million | 0.75% |                    |
| Next \$25 Million  | 0.70% |                    |
| Next \$25 Million  | 0.65% |                    |
| Over \$75 Million  | 0.65% | flat on all assets |
| Over \$100 Million | 0.60% | flat on all assets |
| Over \$150 Million | 0.50% | flat on all assets |



## **Direct Private Investment Programs**

Fees for private investments that are placed directly with the issuer, including, but not limited to, investments in private placements, private co-investments, private investment in public equity (PIPE), and non-registered convertible preferred equity investments, are billed at an annual rate of up to one percent (1.0%) of each client's invested capital in the private investments at the time of billing, calculated and payable quarterly in arrears. In addition, clients will be billed a performance incentive fee up to 15%, subject to a hurdle rate and high water mark. Such fees may be negotiable under certain circumstances, as described in the relevant client's investment management agreement.

## **Third Party Referral Arrangements**

Evaluated by the Adviser on a case by case basis.

### ***Limited Negotiability of Advisory Fees:***

Although Salient Capital Advisors, LLC has established fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets expected to be placed under management, related accounts, portfolio style, account composition and reports, and other relevant factors. The specific annual fee schedule will be identified in the investment management agreement between the Adviser and each client.

The Adviser will not generally be required to provide notice to, or obtain the consent of, one client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some clients may from time to time seek to negotiate most favored nation ("MFN") clauses in their investment management agreements with the Adviser. These clauses often require the Adviser to notify the MFN client if the Adviser subsequently enters into an investment management agreement with another client that offers more favorable pricing or other contractual terms than those currently offered to the MFN client. The applicability of an MFN clause will depend on the degree of similarity between clients, including, but not limited to, the following considerations: type of client, scope of investment discretion, reporting and other servicing requirements, amount of assets under management, fee structure and the specific investment strategy and particular distinctions therein (and therefore the relevant investment adviser) selected by each Client. The Adviser has sole discretion over whether or not to grant any MFN clause in all circumstances.

We may group certain related client accounts for the purpose of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our clients, are offered to family members and friends of affiliated persons of our firm.



## **INVESTMENT MANAGEMENT SERVICES POOLED INVESTMENT VEHICLES**

Fees for the Salient MLP Fund, L.P. are billed at an annual rate of one percent (1.0%) of each Limited Partner's capital account balance, calculated and payable quarterly in advance. Such fees may be negotiable under certain circumstances, as described in the Fund's private placement memorandum.

In addition, the Salient MLP Fund, L.P. charges performance incentive fees. The incentive fee: 20% performance fee subject to 5% annual preferred return and high water mark. Such fees may be negotiable under certain circumstances, as described in the Fund's private placement memorandum.

Fees for the Salient MLP Total Return Fund, L.P. are calculated weekly and payable monthly in arrears, in amounts equal to an applicable annual management fee rate multiplied by each Limited Partner's capital account balance. Such fees may be negotiable under certain circumstances, as described in the Fund's private placement memorandum. The annual management fee rate applicable to each Limited Partner is determined monthly as follows:

- 1.25% for capital account balances less than \$5,000,000;
- 1.00% for capital account balances greater than or equal to \$5,000,000, but less than \$15,000,000;
- 0.85% for capital account balances greater than or equal to \$15,000,000, but less than \$25,000,000; and
- 0.70% for capital account balances greater than or equal to \$25,000,000.

Fees for the Salient MLP Total Return TE Fund, L.P. are calculated weekly and payable monthly in arrears, in an amount equal to an applicable annual management fee rate multiplied by the Net Asset Value (NAV) of the relevant Capital Account. Such fees may be negotiable under certain circumstances, as described in the Fund's private placement memorandum. The annual management fee rate applicable to each Capital Account is determined monthly as follows:

- 1.00% for capital account balances less than \$15,000,000;
- 0.85% for capital account balances greater than or equal to \$15,000,000, but less than \$25,000,000; and
- 0.70% for capital account balances greater than or equal to \$25,000,000.

Fees for the Salient MLP & Midstream Income Fund, L.P. are calculated and payable monthly in arrears, in an amount equal to the applicable percentage multiplied by the NAV of the relevant Capital Account. Such fees may be negotiable under certain circumstances, as described in the Fund's private placement memorandum. The annual management fee rate applicable to each Capital Account is determined monthly as follows:

- 1.00% per annum for capital account balances less than \$15,000,000;
- 0.85% per annum for capital account balances greater than or equal to \$15,000,000, but less than \$25,000,000; and
- 0.70% per annum for capital account balances greater than or equal to \$25,000,000.



Fees for the Salient Midstream & MLP Fund are computed and paid monthly at an annual rate of 1.20% of the average monthly consolidated total assets.

Fees for the Salient MLP & Energy Infrastructure Fund are paid at an annual rate of 0.95% of the average daily net assets.

When appropriate to the needs of its clients, Salient Capital Advisors, LLC may recommend investment of (or invest) client assets in affiliated pooled investment vehicles. In this situation, Salient Capital Advisors, LLC will not include client assets invested in these affiliated pooled investment vehicles when calculating its advisory fees. However, the Adviser or its affiliates may receive fees (including without limitation sales, distribution, placement, solicitation, servicing or other fees) from affiliated entities in respect of investors' holdings in such pooled investment vehicles. This presents a conflict of interest due to the incentive to recommend affiliated pooled investment vehicles based on the receipt of direct or indirect compensation rather than on the client's needs. Such conflict of interest is disclosed to the client at the time of investment, including by means of the prospectus or private placement memorandum of the relevant investment vehicle. Such fees do not affect the investment advisory fees or other fees charged by the Adviser or such affiliates in respect of such pooled investment vehicles; however, the practice of paying such fees could be viewed to create an incentive to maintain the overall level of fees (including such fees and investment advisory fees) at current levels, and as such represents a conflict of interest. Further, although a client's assets invested in such pooled investment vehicles are not included in the calculation of the Adviser's advisory fees for such client, overall fees paid by the client at the level of the pooled investment vehicle are not offset by the amount of fees paid to the Adviser.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** Except as otherwise described in this ADV Part 2A, an investment management agreement may be canceled at any time, by either party, for any reason upon receipt of 5 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period. Clients who are charged an incentive fee who elect to terminate their contracts will be charged an Incentive Fee based on the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the Incentive Fee was last assessed.

***Mutual Fund and Investment Fund Fees:*** All fees paid to Salient Capital Advisors, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders, or Investment Fund fees and expenses that clients, as investors in such Investment Funds, must bear. These fees and expenses are described in each fund's prospectus or offering document. These fees will generally include a management fee, other fund expenses, a possible distribution fee, and/or an initial or deferred sales charge and/or servicing fees. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client



should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of any unaffiliated advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer through which an unaffiliated investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV Part 2A for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Salient Capital Advisors, LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Salient Capital Advisors, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Salient Capital Advisors, LLC may only charge fees for investment advice about products for which our firm and/or our affiliated persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our affiliated persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Salient Capital Advisors, LLC's advisory fees.

***Compensation for Services Provided by Registered Representatives of Salient Capital, L.P.:*** Certain affiliated persons of the Adviser are licensed as registered representatives of Salient Capital, L.P., a broker-dealer affiliated with the Adviser. Although neither the Adviser nor investment managers it recommends will use Salient Capital, L.P. to place trades in client accounts, individual registered representatives of Salient Capital, L.P. who are also affiliated persons of the Adviser, from time to time and in their separate capacity, effect securities transactions for which they may receive separate, yet customary compensation. Such transactions include the sale of interests in investment vehicles managed by the Adviser or one or more affiliates of the Adviser. Clients are advised that they are not required to effect their securities transactions through Salient Capital, L.P. and may use any broker-dealer they



desire. While Salient Capital Advisors, LLC and these individuals endeavor at all times to put the interest of the clients first in the exercise of their fiduciary duty, clients should be made aware that the receipt of additional compensation from (or through) Salient Capital, L.P. creates a conflict of interest in that it creates an incentive to recommend investment products based on the compensation received, rather than on a client's needs, and may affect the judgment of these individuals when making recommendations. Such conflict of interest is disclosed to the client at the time of sale, including by means of the prospectus or private placement memorandum of the relevant investment product. The Adviser or one or more affiliates of the Adviser pays such additional compensation (through Salient Capital, L.P.) from its own resources, and such additional compensation does not affect the investment advisory fees charged by the Adviser or such affiliates; however, the practice of paying such additional compensation could be viewed to create an incentive to maintain such investment advisory fees at current levels, and as such represents a conflict of interest. Further, such investment advisory fees are not offset by the amount of such additional compensation paid. Salient Capital, L.P. provides such affiliated persons/registered representatives with due diligence, compliance information and regulatory review. Furthermore, all securities transactions made on behalf of a Client and placed through Salient Capital, L.P. are reviewed and approved by Salient Capital, L.P. supervisory principals as required by FINRA.

***Closed and Liquidated Private Funds – Receipt of Proceeds After Completion of Liquidating Distributions:*** In strict compliance with the noted private fund's offering materials, the Adviser's policy and practice is to return all liquidated fund assets to limited partners as soon as administratively feasible. In limited extenuating circumstances, returning previously unknown or unexpected proceeds (class/corporate actions, tax refunds and reclaims, et cetera) to closed and liquidated private fund limited partners may not be possible or practical given the passage of time, including, but not limited to, circumstances regarding the lack of fund books and records, outdated or unavailable limited partner information, disproportionately burdensome work to determine the beneficial owners to whom proceeds could be distributed, and the inability to provide additional required tax reporting.

In such circumstances as previously mentioned above, based upon a de minimis materiality threshold that can apply in the aggregate or on a per investor basis, the Adviser's Chief Financial Officer, in consultation with the Chief Compliance Officer, will draft an internal memorandum discussing the circumstances of the proceeds, the commercially reasonable efforts made to return said proceeds or the efforts that would be required to determine the investors to whom proceeds could be returned, and the outcome by which the proceeds could be distributed. Note, previously unknown proceeds that are unable to be returned to all limited partners are required to be donated to the charities the Adviser has historically supported based on a plan of distribution consistent with the Adviser's relative charitable contributions in the prior three years. Further, the Adviser is strictly prohibited from receiving any tax benefits for the charitable donations.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.



## **Item 6 Performance-Based Fees and Side-By-Side Management**

### **PERFORMANCE-BASED FEES**

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from the Salient MLP Fund, L.P. and institutional accounts. Such performance-based fees are calculated based on a share of capital gains on or capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,100,000 (excluding primary residence) or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

The Incentive fee is typically calculated as of December 31 of each year and billed directly to the client's account.

## **Item 7 Types of Clients**

Salient Capital Advisors, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Registered investment companies
- Other pooled investment vehicles (e.g., hedge funds)
- Charitable organizations
- Corporations or other businesses not listed above

Clients are required to have a minimum of a five (5) million dollar liquid net worth and a ten (10) million dollar total net worth. However, Adviser may exercise its discretion to waive this requirement.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS INDIVIDUAL PORTFOLIO MANAGEMENT**

We use the following methods of analysis in formulating our investment advice and/or managing individual client accounts:



**Charting:** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Quantitative Analysis:** We use mathematical and statistical modeling to evaluate investment opportunities and make investment decisions.

**Cyclical Analysis:** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Third-Party Money Manager Analysis:** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.



## METHODS OF ANALYSIS POOLED INVESTMENT VEHICLES

The Investment Manager of the Salient MLP Fund, L.P., the Salient MLP Total Return Fund, L.P., the Salient MLP Total Return TE Fund, L.P., the Salient MLP & Midstream Income Fund, L.P., the Salient Midstream & MLP Fund and the Salient MLP & Energy Infrastructure Fund believes that security selection is the most important part of the portfolio management process. The Investment Manager primarily uses a fundamental, bottom-up research process to determine security selection. The Investment Manager screens a large universe of high income yield equity securities for potential investment opportunities for the Funds, ranking the most attractive to the least attractive securities based upon current yield, expected dividend or distribution growth, coverage ratios and cash flow multiples. However, there is a great deal of variability in the attribution of returns from individual stocks in the high income yield equity securities universe, so the Investment Manager's goal is to draw on the experience of its management team to identify investments that it believes will generate the highest total returns for investors. Also, portfolio allocation is a dynamic process. The Investment Manager intends to update its models continuously to assess the attractiveness of each security in the universe.

Prior to investing, the officers of the Investment Manager will conduct due diligence based on, among other things, public information and information obtained from its relationships with management teams, suppliers, investment bankers, consultants and other advisors. However, primary emphasis will be placed on proprietary analysis and valuation models conducted and maintained by the Investment Manager.

For a more detailed discussion of the Funds' methods of analysis and material risks, please refer to the Funds' respective prospectus and Statement of Additional Information (SAI) or offering document.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES INDIVIDUAL PORTFOLIO MANAGEMENT

We use the following strategy(ies) in managing individual client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

***Long-term purchases:*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection



for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases:** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading:** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase,  
or
- the potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales:** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions:** We may use margin transactions as part of an investment strategy. We may recommend, where appropriate, that a client establish a margin account with the client's broker. In this situation, if we are selling one stock and purchasing another stock with the



proceeds, we can use the margin account to make certain that you are not left out of the purchase if we have difficulty completing the sale.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Option writing:** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

## **INVESTMENT STRATEGIES POOLED INVESTMENT VEHICLES**

The Salient MLP Fund, L.P.'s primary objective is to invest in a diversified portfolio of Master Limited Partnerships ("MLPs") and other high income yield equity and debt securities to



produce both attractive current income and potential for capital appreciation. The Investment Manager's primary focus will be on investing in publicly traded, energy infrastructure MLPs offering the prospect of payment of dividends or distributions at rates greater than the average dividend yield on S&P 500 securities, regardless of the tax characterization of such dividends or distributions.

The Investment Manager intends to achieve diversification for the Fund by investing in a diversified portfolio of MLPs with an expected low correlation to the broader equity and fixed income markets generally, utilizing fundamental and quantitative processes to inform its security selection process. Specifically, the quantitative process screens for security selection through the use of quantitative rankings based on security fundamentals, valuations, technical, and statistical analysis. The Investment Manager currently maintains operational quantitative models that can be employed in the Fund. The models employ long-only and long-short strategies. The Investment Manager believes that this universe of potential investments currently includes interests in MLPs and related entities, as well as corporate income-producing securities (including high dividend common stocks, closed-end funds, business development companies and convertible securities). The Investment Manager expects that most of the Funds' investments will be in MLP securities.

The Salient MLP Total Return Fund, L.P. and the Salient MLP Total Return TE Fund, L.P.'s primary objective is to invest in a diversified portfolio of North American midstream energy infrastructure companies, midstream MLPs or total return swaps linked to the total return of North American midstream MLPs, other energy infrastructure companies, and other infrastructure securities to produce both attractive current income and potential for capital appreciation. The Investment Manager's primary focus will be on investing in publicly traded, North American energy infrastructure MLPs offering the prospect of payment of dividends or distributions at rates greater than the average dividend yield on S&P 500 securities, regardless of the tax characterization of such dividends or distributions.

The Investment Manager intends to achieve diversification for the Funds by investing in a diversified portfolio of North American midstream energy infrastructure companies, midstream MLPs or swaps linked to North American midstream MLPs with an expected low correlation to the broader equity and fixed income markets generally. The Investment Manager believes that this universe of potential investments currently includes interests in North American midstream energy infrastructure companies, midstream MLPs, as well as other infrastructure securities. The Investment Manager expects that most of the Funds' investments will be in North American midstream energy infrastructure companies, midstream MLP securities or swaps linked to midstream MLP securities and those of affiliates of midstream MLPs.

The Salient MLP & Midstream Income Fund, L.P.'s investment objectives are to primarily seek high current income and to secondarily seek long-term capital appreciation by investing in a diversified portfolio of MLPs and midstream equity, debt and preferred securities of issuers that operate in the midstream sector of the North American energy industry. The Fund may also use call and put options to generate income and manage risk.

The Salient Midstream & MLP Fund's investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions to shareholders. The Fund seeks to achieve that objective by investing at least 80% of its total assets in securities of Midstream Companies and MLPs. Midstream companies own or operate midstream assets



used in transporting, storing, gathering, processing, distributing, marketing and/or delivering natural gas, natural gas liquids, crude oil or refined products or coal and MLPs are publicly traded limited partnerships or limited liability companies that are treated as partnerships for U.S. federal income tax purposes. The Fund intends to utilize an option strategy in an effort to enhance returns. The options strategy is intended to generate returns from options premiums as a means to enhance Distributions to the Fund's Common Shareholders. There can be no assurance that the Fund will achieve its investment objective.

The Salient MLP & Energy Infrastructure Fund's investment objective is to seek to maximize total return (capital appreciation and income). The Fund seeks to achieve that objective by investing at least 80% of its net assets in securities of MLPs and Energy Infrastructure Companies. There can be no assurance that the Fund will achieve its investment objective.

There is a substantial risk that each Fund's investment objective will not be achieved and its investment strategies will not be successful. For a more detailed discussion of each Fund's investment strategies and material risks, please refer to the Fund's respective prospectus and SAI or offering document.

**Risk of Loss:** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10    Other Financial Industry Activities and Affiliations**

Salient Capital Advisors, LLC is affiliated with broker-dealers, Forward Securities, LLC and Salient Capital, L.P. Forward Securities, LLC and Salient Capital, L.P. serve as placement agent and/or distributor for funds for which the Adviser or affiliates of the Adviser serve as investment adviser and/or general partner or managing member.

Neither Salient Capital Advisors, LLC nor investment managers it recommends will use Forward Securities, LLC or Salient Capital, L.P. to place trades in client accounts. However, affiliated persons of the Adviser are licensed as registered representatives of Forward Securities, LLC or Salient Capital, L.P. These individuals, in their separate capacity, can effect securities transactions for which they may receive separate, yet customary compensation. Such transactions include the sale of interests in investment vehicles managed by the Adviser or affiliates of the Adviser.

While Salient Capital Advisors, LLC and these individuals endeavor at all times to put the interest of the clients first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation from (or through) Forward Securities, LLC or Salient Capital, L.P. creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.



Under California law, certain of Salient Capital Advisors, LLC's advisory business solicitation efforts directed toward California state public retirement systems require Salient Capital Advisors, LLC, certain employees, and Salient Capital, L.P., an affiliate, to register in California as a "Lobbyist Employer," "Lobbyist" and "Lobbying Firm," respectively. Such registration subjects Salient Capital Advisors, LLC, its registered Lobbyists (whether one or more), and Salient Capital, L.P. to specified gift, political contribution and other restrictions and certain periodic reporting requirements, and prohibits such registered Lobbyists and Salient Capital, L.P. from accepting or agreeing to accept any payment in any way contingent upon Salient Capital Advisors, LLC being awarded investment advisory business from any California state public retirement systems. Neither Salient Capital Advisors, LLC, Salient Capital, L.P., nor any other of their Advisory Affiliates, presently intend to engage in any other conduct customarily known as "lobbying" in California, including attempting to influence state legislative action.

Salient Capital Advisors, LLC is affiliated with commodity trading advisors ("CTA") and a commodity pool operator ("CPO"). Salient Advisors, L.P. is registered with the Commodity Futures Trading Commission ("CFTC") as a CTA and CPO and is a member of the National Futures Association ("NFA"). Broadmark Asset Management LLC is registered with the CFTC as a CTA and is a member of the NFA. Affiliated persons of the Adviser are principals and/or affiliated persons of the CTAs/CPO.

As discussed in Item 4, above, the Adviser's clients include investment companies and unregistered private partnerships.

Affiliated persons of Salient Capital Advisors, LLC are also owners, officers and/or employees of Broadmark Asset Management LLC; Endowment Advisers, L.P.; Forward Management, LLC; Salient Advisors, L.P.; Sustainable Woodlands Partners, LLC and The Salient Zarvona Energy Fund GP, L.P. In these capacities, these individuals also provide investment advice to the following pooled investment vehicles:

All Series of Forward Funds; All Series of Salient MF Trust; Salient Private Access Master Fund, L.P.; Salient Private Access Registered Fund, L.P.; Salient Private Access TEI Fund, L.P.; Salient Private Access Institutional Fund, L.P.; Salient Private Access (Domestic) Fund, L.P.; Salient Private Access (Domestic QP) Fund, L.P.; Salient Private Access (International) Fund, Ltd.; The Endowment PMF Master Fund, L.P.; PMF Fund, L.P.; PMF TEI Fund, L.P.; PMF International Fund, Ltd.; The Yield Master Fund II, L.P.; The Yield Fund, L.P.; The Yield (Exempt) Fund, L.P.; Salient MLP Fund, L.P.; Salient MLP Total Return Fund, L.P.; Salient MLP Total Return TE Fund, L.P.; Salient MLP & Midstream Income Fund, L.P.; Salient Midstream & MLP Fund; The Salient Zarvona Energy Fund, L.P.; Salient Zarvona Energy Fund II-A, L.P.; Salient Zarvona Energy Fund II-B, L.P.; Chalk II-4 Co-Invest, L.P.; Sustainable Woodlands Fund II, L.P.

This presents a potential conflict of interest in that these individuals have an incentive to favor the clients of these other advisory firms when identifying or allocating investment opportunities for the Adviser. To address this potential conflict, the Adviser regularly reviews the allocations of investment opportunities between affiliated Advisers.



When appropriate to the needs of its clients, Salient Capital Advisors, LLC recommends (or invests) client assets in the pooled investment vehicles listed above. In this situation, Salient Capital Advisors, LLC will not include client assets invested in these pooled investment vehicles when calculating its advisory fees. However, the Adviser or its affiliates may receive fees from affiliated entities in respect of investors' holdings in such pooled investment vehicles. This presents a conflict of interest due to the incentive to recommend affiliated pooled investment vehicles based on the receipt of direct or indirect compensation.

The following investment advisers are under common ownership and share one or more affiliated persons with the Adviser:

Broadmark Asset Management LLC, which provides investment advice to individuals, investment companies, pooled investment vehicles and other institutional clients;

Endowment Advisers, L.P., which provides investment advice to investment companies and pooled investment vehicles;

Forward Management, LLC, which provides investment advice to individuals, investment companies and other institutional clients;

Salient Advisors, L.P., which provides investment advice to investment companies and pooled investment vehicles;

Sustainable Woodlands Partners, LLC, which provides investment advice to pooled investment vehicles;

The Salient Zarvona Energy Fund GP, L.P., which provides investment advice to pooled investment vehicles.

***Clients are Solicited to Invest in Affiliated Partnerships:*** Affiliated persons of the Adviser are members of the general partner of various private investment vehicles (as discussed above) and affiliated advisers, which themselves manage other registered investment companies and private pooled investment vehicles. Certain clients of the Adviser are solicited to invest (by the affiliated persons) in such other registered investment companies or private pooled investment vehicles. In such instances, our affiliated advisers and/or affiliated persons of our Adviser may receive additional compensation.

While Salient Capital Advisors, LLC and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the Adviser and these individuals when making recommendations. Further, more detailed disclosure of such conflicts of interest is contained in Part 2A of Form ADV of the relevant adviser affiliate of Salient Capital Advisors, LLC.



## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics (the “Code”) to effectuate the purposes and objectives of Sections 204A and Rule 204A-1 of the Investment Advisers Act of 1940. A copy of our Code of Ethics can be obtained by requesting it from an advisory representative or affiliated person by calling (713) 993-4675.

In summary, the Code sets forth our Adviser’s standards of business conduct reflecting our fiduciary obligations to our clients and specifically requires all employees to comply with the Code and federal (and other applicable) securities laws. In addition, the Code contains the following specific provisions:

- All access persons must report their personal securities transactions (quarterly) and their securities holdings (at least annually) for review;
- All employees must report any violations of the Code;
- We provide each employee with a copy of the Code and any amendments; and
- All employees must provide an acknowledgement of their receipt of the Code and any amendments.

We strive to ensure that all employees act in accordance with our internal policies and applicable regulations governing those rendering registered investment advisory services. Employees not in compliance with firm goals in this regard are subject to sanctions, which include possible termination.

Our affiliated persons may invest with investment managers or investment partnerships that we recommend to clients. It is possible that such managers or investment partnerships may have capacity constraints that could limit further investment by clients.

Our firm and/or individuals affiliated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any affiliated person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We have established the following policies and procedures for implementing our firm’s Code of Ethics, to establish that our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.



3. It is the policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by affiliated persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone affiliated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

Any persons found to have violated this policy will be subject to disciplinary actions including (but not limited to) warnings, sanctions, regulatory and/or Board reporting and/or possible termination.

## **Item 12 Brokerage Practices**

Salient Capital Advisors, LLC requires clients to provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to these clients for these transactions.

Morgan Stanley and Goldman Sachs serve as prime brokers for the Salient MLP Fund, L.P. and certain institutional accounts. Morgan Stanley, Goldman Sachs and Citigroup Global Markets serve as the prime brokers for the Salient MLP Total Return TE Fund, L.P. In addition, transactions may be executed through other approved executing broker-dealers for the advised pooled investment vehicles.

In effecting securities transactions, the Adviser generally seeks to negotiate with brokers and dealers a combination of the most favorable commission and the best price obtainable on each transaction. Consequently, brokers and dealers are selected primarily on the basis of their execution capability and trading expertise consistent with the effective execution of the transaction. In choosing brokers and dealers, the Adviser may consider a number of other factors, including the nature of the security being traded, the execution, clearance and settlement capabilities of the broker or dealer and its financial stability, and any research services it may provide. Recognizing the differing value of these factors, the Adviser may elect to pay a brokerage commission in excess of that which another broker or dealer might charge for effecting the same transaction. Prior to making such a decision, however, the Adviser will make a good faith determination that such commission is reasonable in relation to the value of the brokerage and research services received, viewed in terms of that particular transaction or in terms of all the accounts over which the Adviser or its affiliates exercise trading discretion. Consistent with requirements of best execution, brokerage commissions



may be directed to brokers in recognition of investment research and information furnished as well as for services rendered in the execution of orders by such brokers. By allocating transactions in this manner, the Adviser is able to supplement its research and analysis with the views and information of such brokers.

A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Salient Capital Advisors, LLC will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

The Adviser receives soft dollar benefits in relation to trading activities associated with advised registered open-end funds. The Adviser will not receive soft dollars for any services related to institutional separately managed accounts, including privately placed commingled vehicles.

The Adviser will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. The Adviser will typically aggregate trades among clients whose accounts can be traded at a given broker, and may vary the order of brokers through which it places trades for clients on any particular day. The Adviser, its related persons (including its affiliates), and its affiliates' clients may also participate in an aggregated order. The Adviser's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with the Adviser or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable the Adviser to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It



does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, an order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a fair and equitable manner, typically pro rata, among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, allocation adjustments may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to the allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) The Adviser's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on the Adviser's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

The Adviser's policy and practice is to monitor all trading activity; identify and resolve trade errors in a reasonable time frame to assure the Funds and clients have been made whole; document each trade error with appropriate Managing Director approval, and maintain a trade error file.

With regard to trade errors for traditional non-ERISA-qualified clients, losses resulting from the Adviser's trade errors, should they occur, shall be reimbursed by the Adviser, but the Adviser shall not credit such accounts for such errors resulting in market gains. Such gains and losses are reconciled within the Adviser's custodian firm account. The Adviser will retain net gains and losses to use against any future trade errors that may occur.



In the case of ERISA-qualified clients, IRA and Keogh clients, losses resulting from the Adviser's trade errors, should they occur, shall be reimbursed by the Adviser, and the Adviser shall also credit such accounts for such errors resulting in market gains.

With regard to third party platform accounts for which the Adviser does not directly contract with the client through an investment management agreement, including dual investment management contract clients, and client custodial arrangements through non-preferred account custodians, the Adviser shall abide by the trade error policy of the third party financial services firm responsible for the client engagement or the custodial bank where client assets are held on deposit.

The Adviser also does not engage in any soft dollar arrangements to correct trades, and does not correct trades by selling to or purchasing securities from other affiliated advisers.

The Adviser will report trade errors on a quarterly basis to the relevant investment company Board for any advised registered investment company.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

**Reviews:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least annually or as market conditions warrant. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's circumstances, model account changes or the market, political or economic environment.

These accounts are reviewed by Investment Adviser Representatives of Salient Capital Advisors, LLC.

**Reports:** Monthly statements and confirmations of transactions are provided by the client's broker-dealer or custodian, summarizing account performance, balances and holdings.

### **INVESTMENT MANAGEMENT SERVICES POOLED INVESTMENT VEHICLES**

**Reviews:** The underlying securities within the pooled investment accounts are monitored in the context of each Fund's stated investment objective and guidelines. More frequent reviews may be triggered by material changes in variables such as the market, political or economic environment.

The pooled investment vehicles are reviewed by the assigned Portfolio Managers of the Adviser.

**Reports:** Salient MLP Fund, L.P.'s, Salient MLP Total Return Fund, L.P.'s, Salient MLP Total Return TE Fund, L.P.'s, Salient MLP & Midstream Income Fund, L.P.'s, Salient Midstream &



MLP Fund's and Salient MLP & Energy Infrastructure Fund's monthly or quarterly investor statements are compiled and delivered to investors by a third-party administrator.

## **Item 14 Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients or investors to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Salient Capital Advisors, LLC's policy not to accept or allow our affiliated persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of individual client accounts.

As the Adviser or an affiliate is a general partner or managing member of most or all of the Funds managed by the Adviser, the Adviser is deemed to have custody of these Funds; however, in respect to the Salient Midstream & MLP Fund and the Salient MLP & Energy Infrastructure Fund, because the Funds are registered investment companies, such Funds have engaged a qualified custodian and the Adviser does not have custody of such Funds' respective assets. As to the Funds that are not registered investment companies, the Adviser



requires the relevant Funds to be audited by an independent, Public Company Accounting Oversight Board (PCAOB) accountant, and will distribute the audited financial statement to all fund investors within 120 days after the relevant Fund's fiscal year end (180 days for funds of funds). Salient MLP Fund, L.P.'s, Salient MLP Total Return Fund, L.P.'s, Salient MLP Total Return TE Fund, L.P.'s, Salient MLP & Midstream Income Fund, L.P.'s, Salient Midstream & MLP Fund's and Salient MLP & Energy Infrastructure Fund's monthly or quarterly investor statements are compiled and delivered to investors by a third-party administrator.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We vote proxies for client accounts, where applicable; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the Adviser voted proxies.

The Adviser has contracted with Glass, Lewis & Co., LLC ("Glass Lewis") to handle the administration and voting of client proxies. The Adviser has directed Glass Lewis to vote all proxies in accordance with Glass Lewis' recommendations. Glass Lewis' proxy analysis is focused on the economic and financial consequences of voting and therefore on improving medium to long-term value and mitigating risk at public companies.

Glass Lewis' approach to enhancing overall corporate value growth through effective proxy voting is to look at each company individually and determine what is in the best interests of the shareholders of each company. In addition to corporate governance, Glass Lewis' research on proxies analyzes accounting, executive compensation, compliance with regulation and law, risks and risk disclosure, litigation, and other matters that reflect the quality of board oversight and company transparency.



Because the Adviser votes proxies in accordance with the recommendations of Glass Lewis, it is not expected that any material conflicts of interests will arise. However, if a material conflict of interest exists in a particular situation, the Adviser will disclose the conflict to the affected clients.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us by phone at (713) 993-4675 or in writing at the following:

Salient Capital Advisors, LLC  
Attn: Compliance Department  
4265 San Felipe, 8<sup>th</sup> Floor  
Houston, Texas 77027

Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Clients may, at their election, choose to receive proxies related to their own accounts, and for certain institutional clients, may direct the Adviser to vote as instructed.

Our firm may not vote proxies with respect to foreign companies if the costs to the client outweigh the benefits or, in certain cases, where the company is in a country which prohibits shareholders who vote proxies from trading the company's shares within a given period of time around the shareholder meeting date ("share blocking"). In addition, the Adviser may not vote proxies if the voting guidelines are unclear, the matter is not covered by the voting guidelines or the voting guidelines call for case-by-case review.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

Salient Capital Advisors, LLC has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Salient Capital Advisors, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.