Cushing MLP Total Return Fund
Form N-CSR
February 07, 2011

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

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22072

The Cushing MLP Total Return Fund
(Exact name of registrant as specified in charter)

8117 Preston Road, Suite 440, Dallas, TX 75225
(Address of principal executive offices) (Zip code)

Jerry V. Swank
8117 Preston Road, Suite 440, Dallas, TX 75225
(Name and address of agent for service)

214-692-6334
Registrant's telephone number, including area code

Date of fiscal year end: November 30

Date of reporting period: November 30, 2010

Item 1. Reports to Stockholders.
The Cushing MLP Total Return Fund

Annual Report

November 30, 2010

Investment Advisor
Swank Energy Income
Advisors, LP
8117 Preston Road

Suite 440
Dallas, TX 75225
www.srvfund.com
www.swankcapital.com

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

SHAREHOLDER LETTER

Dear Shareholders,

2010 was a distinctly positive year for The Cushing MLP Total Return Fund (NYSE: SRV). The Fund s total return for the fiscal year ended 2010 was 42.26%, including $0.90 in dividends. The Fund s strong performance was, in large part, driven by 1) investors continued thirst for high-yielding securities in an environment of low interest rates and 2) improving company fundamentals and growth prospects. The themes that we previously discussed, including **oil and natural gas liquids (NGL) infrastructure opportunities, General Partners (GP**), and **a return to distribution growth**, all played out as expected.

With high yields, stable business profiles, and visible and accelerating growth outlooks, MLPs continued to gain more media and investor attention as highlighted by the over $4 billion in fund flows into new MLP products. In 2010, the MLP sector experienced approximately $3 billion raised by MLP closed-end funds (CEFs). Additionally, two MLP open-end mutual funds were launched, several exchange-traded notes (ETNs) were created, and the first MLP exchange-traded fund (ETF) was formed. Further, there were seven IPOs along with the creation of a new industry subsector, Natural Gas Storage.

The Outlook for 2011

Looking ahead, there is nothing magical about turning the calendar page from December 2010 to January 2011; nonetheless, we see similar risks and themes/opportunities entering the new year as we did during 2010. **For one, new shale plays importantly, no longer just a dry gas story, but crude oil and liquids rich areas are driving infrastructure opportunities. Secondly, we still like faster growers like select drop-down stories and GPs.** Capital markets continue to be very supportive of organic growth and acquisition transactions. A number of MLPs now have improved costs of capital without the GP burden, allowing more competitive bids for assets, both domestically and internationally (however, we will be watching the recent trend of paying up for growth several years out).

While equity valuations are near historical averages, we believe the group continues to offer attractive returns. As we stand here today, other issues include:

In the context of moderate economic growth, MLP business fundamentals remain positive (areas of softness include natural gas storage and depressed location differentials for long haul pipelines)

corporate credit spreads still have room to tighten (favorable for MLPs)

1

TABLE OF CONTENTS

- commodity prices are largely favorable (particularly crude oil and NGLs)
- there is a backlog of IPOs
- MLPs continue to offer attractive yields in a low rate environment
- there are significant fund flows into the MLP space and other risk assets, and
- MLP investors have an increasing number of investing products (ETNs, ETFs, CEFs, mutual funds, etc.).

Where Do We See the Risks for 2011?

MLP correlations to the broader market have been trending down over the past several months to a more normal 30 40% range. In that context, we believe we are now in more of a stock-pickers market. However, MLPs and other risk assets could be affected by shocks related to the following list of macro related risks/fears/uncertainties, which continues to be long and daunting:

- the tug of war between inflation and deflation views
- concerns about the impact of rising Treasury yields on MLP valuation
- global rate tightening
- after a strong 2 year run, do MLPs lag an up S&P 500?
- uncertainties with government policy
- worries about the impact from housing and unemployment on the national economy
- worries about rising energy costs on the national economy
- states fiscal woes
- European debt concerns
- political unrest (e.g. North Korea / South Korea)
- Etc., etc., etc.

We recognize that dramatically higher interest rates would be a headwind for MLP equities. However, while we expect rates to be higher this time next year, we do not anticipate a rate shock (dramatic increase over a brief period). Over the long term, given the path our nation s fiscal and monetary policies are taking us down, it is hard to imagine not facing considerable inflation and much higher rates. In the near term, though, there is just too much economic slack and unemployment is too high for inflation to concern us (not to mention a Fed that is intent on keeping rates low). Nonetheless, we favor higher distribution growing MLPs/GPs, and that should help at least partially offset potential rate increases.

TABLE OF CONTENTS

We expect a fairly boring 2011 for MLPs in terms of performance, but in an environment full of significant risks and a consensus that is fairly concentrated in its views for both the MLP and the S&P 500 outlook, boring could turn into something else. While there are plenty of risks to monitor, there are also positive factors that could potentially drive upside to our base case performance expectation. For example, continued strong fund flows could drive yields materially below historical averages. For many investors, the MLP value proposition is hard to pass up.

Again, we appreciate your support.

Thank you for your continued confidence.

Jerry V. Swank
Chief Executive Officer

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Key Financial Data (Supplemental Unaudited Information)

The Information presented below regarding Distributable Cash Flow is supplemental non-GAAP financial information, which we believe is meaningful to understanding our operating performance. Supplemental non-GAAP measures are not, and should not be construed as, a substitute for amounts computed in accordance with GAAP and should be read in conjunction with our full financial statements, including the notes thereto.

	Fiscal Year Ended 11/30/10	Fiscal Year Ended 11/30/09	Fiscal Year Ended 11/30/08
FINANCIAL DATA			
Total income from investments			
Distributions received from MLPs	$16,566,758	$8,889,886	$12,277,393
Dividends from common stock	4,483,307	1,779,867	178,095
Interest income & other	1,320,531	518,446	316,870
Total income from investments	$22,370,596	$11,188,199	$12,772,358
Advisory fee and operating expenses			
Advisory fees, less reimbursement by Advisor	$2,467,110	$557,839	$1,615,353
Operating expenses (a)	948,767	1,072,460	750,292
Leverage costs	465,469	176,619	924,418
Other	257,274	100,347	108,279
Total advisory fees and operating expenses	$4,138,620	$1,907,265	$3,398,342
Distributable Cash Flow (DCF) (b)	$18,231,976	$9,280,934	$9,374,016
Distributions paid on common stock	$18,332,242	$9,505,720	$9,505,720
Distributions paid on common stock per share	$0.90	$1.01	$1.26
Distribution Coverage Ratio			
Before advisory fee and operating expenses	1.2x	1.2x	1.3x
After advisory fee and operating expenses	1.0x	1.0x	1.0x
OTHER FUND DATA (end of period)			
Total Assets, end of period	293,125,989	98,339,592	61,974,946
Unrealized appreciation (depreciation), net of income taxes	67,183,214	20,880,742	(58,032,746)
Short-term borrowings	69,800,000	29,900,000	14,500,000
Short-term borrowings as a percent of total assets	24%	30%	23%
Net Assets, end of period	208,002,375	64,511,402	37,779,243

Net Asset Value per common share	$8.03	$5.74	$3.98
Market Value per share	$9.42	$7.37	$10.36
Market Capitalization	$244,113,742	$82,894,797	$98,247,516
Shares Outstanding	25,914,410	11,247,598	9,483,351

(a) Excludes expenses related to capital raising.

(b) Net Investment Income on the Statement of Operations is adjusted as follows to reconcile to Distributable Cash Flow: increased by the return of capital on MLP distributions and offering expenses.

4

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Allocation of Portfolio Assets

November 30, 2010
(Expressed as a Percentage of Total Investments)

(1) Master Limited Partnerships and Related Companies
(2) Senior Notes
(3) Common Stock

5

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Schedule of Investments **November 30, 2010**

COMMON STOCK UNITED STATES 7.3%[1]	Shares	Fair Value
Shipping 2.8%[1]		
Knight Transportation, Inc.	300,000	$5,784,000
Utilities 4.5%[1]		
Ameren Corporation	50,000	1,436,000
Public Service Enterprise Group	100,000	3,083,000
Integrys Energy Group, Inc.	100,000	4,870,000
		9,389,000
Total Common Stock (Cost $15,298,155)		$15,173,000
MASTER LIMITED PARTNERSHIPS AND RELATED COMPANIES UNITED STATES 122.1%[1]		
Coal 13.6%[1]		
Oxford Resource Partners, L.P.	500,000	$10,830,000
Penn Virginia GP Holdings, L.P.	700,000	17,451,000
		28,281,000
Crude/Natural Gas Production 15.1%[1]		
Breitburn Energy Partners, L.P.	400,000	7,872,000
EV Energy Partners, L.P.	175,000	6,679,750
Legacy Reserves, L.P.	150,000	3,916,500
Linn Energy, LLC	250,000	9,075,000
Vanguard Natural Resources, LLC	150,000	3,964,500
		31,507,750
Crude/Refined Products Pipelines and Storage 31.0%[1]		
Enbridge Energy Partners, L.P.	350,000	21,297,500
Genesis Energy, L.P.	600,000	14,658,000
Magellan Midstream Partners, L.P.	250,000	14,000,000
Plains All American Pipeline, L.P.	150,000	9,225,000
TransMontaigne Partners, L.P.	150,000	5,286,000
		64,466,500
Natural Gas/Natural Gas Liquid Pipelines and Storage 25.1%[1]		
Boardwalk Pipeline Partners, LP	250,000	7,750,000
El Paso Pipeline Partners, L.P.	100,000	3,312,000
Energy Transfer Partners, L.P.	125,000	6,333,750
Enterprise Products Partners, L.P.	300,000	12,624,000
Niska Gas Storage Partners LLC	100,000	1,998,000
ONEOK Partners, L.P.	150,000	11,881,500
Williams Partners, L.P.	175,000	8,233,750
		52,133,000
Natural Gas Gathering/Processing 25.8%[1]		

Chesapeake Midstream Partners, L.P.	75,000	2,137,500
Crosstex Energy, L.P.	700,000	9,751,000
MarkWest Energy Partners, L.P.	425,000	17,990,250
Regency Energy Partners, L.P.	450,000	11,565,000
Targa Resources Partners, L.P.	400,000	12,116,000
		53,559,750

See Accompanying Notes to the Financial Statements.

6

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Schedule of Investments (Continued) **November 30, 2010**

MASTER LIMITED PARTNERSHIPS AND RELATED COMPANIES UNITED STATES (Continued)	**Shares**	**Fair Value**
Propane 4.3%[1]		
Inergy, L.P.	231,000	$9,013,620
Shipping 7.2%[1]		
Navios Maritime Partners, L.P.	500,000	9,280,000
Teekay Offshore Partners, L.P.	200,000	5,764,000
		15,044,000
Total Master Limited Partnerships and Related Companies (Cost $188,205,905)		$254,005,620
SENIOR NOTES UNITED STATES 7.8%[1]	**Principal Amount**	
Crude/Natural Gas Production 2.2%[1]		
Breitburn Energy Partners, L.P., 8.625%, 10/15/2020[2]	$2,500,000	$2,506,250
Linn Energy, LLC, 7.750%, 02/01/2021[2]	2,000,000	2,040,000
		4,546,250
Crude/Refined Products Pipelines and Storage 0.5%[1]		
Genesis Energy, L.P., 7.875%, 12/15/2018[2]	1,000,000	993,750
Natural Gas/Natural Gas Liquids Pipelines and Storage 0.2%[1]		
El Paso Corp., 7.420%, due 02/15/2037	375,000	371,114
Natural Gas Gathering/Processing 4.9%[1]		
Atlas Pipeline Partners, L.P., 8.750% due 06/15/2018	3,500,000	3,832,500
Copano Energy, LLC, 8.125%, due 03/01/2016	2,000,000	2,030,000
MarkWest Energy Partners, L.P., 8.750%, due 04/15/2018	1,000,000	1,080,000
Regency Energy Partners, L.P., 9.375%, due 06/01/2016	2,000,000	2,205,000
Targa Resources Partners, L.P., 8.250%, due 07/01/2016	200,000	209,000
Targa Resources Partners, L.P., 11.250%, due 07/15/2017	600,000	687,000
Targa Resources Partners, L.P., 7.875%, due 10/15/2018[2]	250,000	258,750
		10,302,250
Total Senior Notes (Cost $14,704,710)		$16,213,364
SHORT-TERM INVESTMENTS UNITED STATES INVESTMENT COMPANIES 0.1%[1]	**Shares**	
AIM Short-Term Treasury Portfolio Fund Institutional Class	36,726	$36,726
Fidelity Government Portfolio Fund Institutional Class	36,726	36,726
First American Treasury Obligations Fund Class A	36,726	36,726
First American Treasury Obligations Fund Class Y	36,726	36,726
First American Treasury Obligations Fund Class Z	36,726	36,726
Total Short-Term Investments (Cost $183,630)		$183,630

TOTAL INVESTMENTS 137.3%[1] (COST $218,392,400)	**$285,575,614**
Liabilities in Excess of Other Assets (37.3)%[1]	(77,573,239)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS 100.0%[1]	**$208,002,375**

(1) Calculated as a percentage of net assets applicable to common stockholders.

(2) Restricted securities represent a total fair value of $5,798,750, which represents 2.8% of net assets.

See Accompanying Notes to the Financial Statements.

7

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Statement of Assets & Liabilities

November 30, 2010

Assets	
Investments at fair value (cost $218,392,400)	$285,575,614
Cash and cash equivalents	824,659
Receivable for investments sold	5,272,196
Interest receivable	402,707
Distributions and dividends receivable	997,895
Prepaid expenses and other assets	52,918
Total assets	293,125,989
Liabilities	
Payable to Advisor	310,308
Payable for investments purchased	8,385,730
Distributions payable to common stockholders	5,830,742
Short-term borrowings	69,800,000
Accrued interest expense	440,573
Accrued offering expense	147,605
Accrued expenses and other liabilities	208,656
Total liabilities	85,123,614
Net assets applicable to common stockholders	$208,002,375
Net Assets Applicable to Common Stockholders Consist of	
Capital stock, $0.001 par value; 25,914,410 shares issued and outstanding (unlimited shares authorized)	$25,914
Additional paid-in capital	258,033,671
Accumulated net investment income, net of income taxes	628,635
Accumulated realized loss, net of income taxes	(117,869,059)
Net unrealized gain on investments, net of income taxes	67,183,214
Net assets applicable to common stockholders	$208,002,375
Net Asset Value per common share outstanding (net assets applicable to common shares divided by common shares outstanding)	$8.03

See Accompanying Notes to the Financial Statements.

8

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Statement of Operations

Fiscal Year Ended November 30, 2010

Investment Income	
Distributions received from master limited partnerships	$ 16,566,758
Less: return of capital on distributions	(15,935,285)
Distribution income from master limited partnerships	631,473
Dividends from common stock (net of foreign taxes withheld of $10,236)	4,483,307
Interest income	1,320,531
Total Investment Income	6,435,311
Expenses	
Advisory fees	2,514,525
Professional fees	364,767
Administrator fees	138,058
Reports to stockholders	132,360
Trustees fees	103,526
Registration fees	95,378
Fund accounting fees	53,404
Custodian fees and expenses	33,818
Transfer agent fees	27,456
Other expenses	257,274
Total Expenses before Interest Expense	3,720,566
Interest expense	465,469
Total Expenses	4,186,035
Less: expense waived by Advisor	(47,415)
Net Expenses	4,138,620
Net Investment Income	2,296,691
Realized and Unrealized Gain on Investments	
Net realized gain on investments	1,539,215
Net change in unrealized appreciation of investments	46,302,472
Net Realized and Unrealized Gain on Investments	47,841,687
Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$ 50,138,378

See Accompanying Notes to the Financial Statements.

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Statements of Changes in Net Assets

	Fiscal Year Ended November 30, 2010	Fiscal Year Ended November 30, 2009
Operations		
Net investment income	$2,296,691	$407,744
Net realized gain (loss) on investments	1,539,215	(52,209,736)
Net change in unrealized appreciation of investments	46,302,472	78,913,488
Net increase in net assets applicable to common stockholders resulting from operations	50,138,378	27,111,496
Dividends and Distributions to Common Stockholders		
Net investment income		
Return of capital	(18,332,242)	(9,505,720)
Total dividends and distributions to common stockholders	(18,332,242)	(9,505,720)
Capital Share Transactions		
Proceeds from issuance of 14,475,000 and 1,686,090 common shares from offerings, net of offering costs of $615,000 and $154,876, respectively	110,189,000	8,696,251
Issuance of 191,812 and 78,157 common shares from reinvestment of distributions to stockholders, respectively	1,495,837	430,132
Net increase in net assets applicable to common stockholders from capital share transactions	111,684,837	9,126,383
Total increase in net assets applicable to common stockholders	143,490,973	26,732,159
Net Assets		
Beginning of fiscal year	64,511,402	37,779,243
End of fiscal year	$208,002,375	$64,511,402
Accumulated net investment income (loss) at the end of the fiscal year	$628,635	$(1,668,056)

See Accompanying Notes to the Financial Statements.

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Statement of Cash Flows

Fiscal Year Ended November 30, 2010

Operating Activities	
Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$50,138,378
Adjustments to reconcile increase in the net assets applicable to common stockholders to net cash used in operating activities	
Net change in unrealized appreciation of investments	(46,302,472)
Purchases of investments	(733,582,151)
Proceeds from sales of investments	578,613,513
Proceeds from investments sold short	74,563,378
Purchases to cover investments sold short	(82,514,707)
Return of capital on distributions	15,935,285
Net realized gains on sales of investments	(1,539,215)
Net purchases of short-term investments	(58,045)
Net accretion/amortization of senior notes premiums/discounts	(140,986)
Changes in operating assets and liabilities	
Receivable for investments sold	1,609,444
Interest receivable	(150,707)
Distributions and dividends receivable	(480,162)
Prepaid and other assets	(5,180)
Payable to Advisor	232,024
Payable for investments purchased	7,156,215
Accrued interest expense	436,720
Accrued offering expense	147,605
Accrued expenses and other liabilities	122,827
Net cash used in operating activities	(135,818,236)
Financing Activities	
Proceeds from borrowing facility	118,900,000
Repayment of borrowing facility	(79,000,000)
Common Stock Issuance, net of underwriting and other direct costs	14,666
Additional paid-in capital from Common Stock Issuance	110,174,334
Dividends paid to common stockholders	(13,536,372)
Net cash provided by financing activities	136,552,628
Increase in Cash and Cash Equivalents	734,392
Cash and Cash Equivalents:	
Beginning of fiscal year	90,267
End of fiscal year	$824,659

Supplemental Disclosure of Cash Flow and Non-Cash Information	
Interest Paid	$28,750
Taxes Paid	$20,747
Additional paid-in capital from Dividend Reinvestment	$1,495,837

See Accompanying Notes to the Financial Statements.

11

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Financial Highlights

	Fiscal Year Ended November 30, 2010	Fiscal Year Ended November 30, 2009	Fiscal Year Ended November 30, 2008	Period from August 27, 2007[1] through November 30, 2007
Per Common Share Data[2]				
Net Asset Value, beginning of period	$5.74	$3.98	$18.17	$
Public offering price				20.00
Underwriting discounts and offering costs on issuance of common shares	(0.05)	(0.01)		(0.94)
Income from Investment Operations:				
Net investment income	1.07	1.09	1.15	0.30
Net realized and unrealized gain (loss) on investments	2.17	1.69	(14.05)	(0.89)
Total increase (decrease) from investment operations	3.24	2.78	(12.90)	(0.59)
Less Distributions to Common Stockholders:				
Net investment income				
Return of capital	(0.90)	(1.01)	(1.29)	(0.30)
Total distributions to common stockholders	(0.90)	(1.01)	(1.29)	(0.30)
Net Asset Value, end of period	$8.03	$5.74	$3.98	$18.17
Per common share market value, end of period	$9.42	$7.37	$10.36	$16.71
Total Investment Return Based on Market Value	42.26%	(16.89)%	(31.18)%	(14.84)%[3]

See Accompanying Notes to the Financial Statements.

12

TABLE OF CONTENTS

	Fiscal Year Ended November 30, 2010	Fiscal Year Ended November 30, 2009	Fiscal Year Ended November 30, 2008	Period from August 27, 2007[1] through November 30, 2007
Supplemental Data and Ratios				
Net assets applicable to common stockholders, end of period (000 s)	$ 208,002	$ 64,511	$ 37,779	$ 159,103
Ratio of expenses (including current and deferred income tax benefit/expense) to average net assets before waiver[4][5]	3.08%	4.32%	5.18%	(4.53)%
Ratio of expenses (including current and deferred income tax benefit/expense) to average net assets after waiver[4][5]	3.05%	3.74%	4.75%	(5.18)%
Ratio of expenses (excluding current and deferred income tax benefit/expense) to average net assets before waiver[4][5][6]	3.08%	4.32%	2.99%	2.69%
Ratio of expenses (excluding current and deferred income tax benefit/expense) to average net assets after waiver[4][5][6]	3.05%	3.74%	2.56%	2.04%
Ratio of net investment income to average net assets before waiver[4][5][6]	1.66%	0.22%	(1.93)%	(0.48)%
Ratio of net investment income to average net assets after waiver[4][5][6]	1.69%	0.80%	(1.49)%	0.17%
Ratio of net investment income to average net assets after current and deferred income tax benefit/expense, before waiver[4][5]	1.66%	0.22%	(4.12)%	6.74%
Ratio of net investment income to average net assets after current and deferred income tax benefit/expense, after waiver[4][5]	1.69%	0.80%	(3.69)%	7.39%
Portfolio turnover rate	300.70%	526.39%	95.78%	15.15%

(1) Commencement of Operations

(2) Information presented relates to a share of common stock outstanding for the entire period.

(3) Not Annualized. Total investment return is calculated assuming a purchase of common stock at the initial public offering price and a sale at the closing price on the last day of the period reported. The calculation also assumes reinvestment of dividends at actual prices pursuant to the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) Annualized for periods less than one full year.

(5) For the fiscal year ended November 30, 2010, the Fund accrued $0 in net current and deferred tax expense. For the fiscal year ended November 30, 2009, the Fund accrued $0 in net current and deferred tax expense. For the fiscal year ended November 30, 2008, the Fund accrued $3,153,649 in net current and deferred tax expense. For the period from August 27, 2007 through November 30, 2007, the Fund accrued $3,153,649 in net current and deferred income tax benefit.

(6) This ratio excludes current and deferred income tax benefit/expense on net investment income.

See Accompanying Notes to the Financial Statements.

13

TABLE OF CONTENTS

The Cushing MLP Total Return Fund

Notes To Financial Statements

November 30, 2010

1. Organization

The Cushing MLP Total Return Fund (the Fund) was formed as a Delaware statutory trust on May 23, 2007, and is a non-diversified, closed-end investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is to seek to produce current income and capital appreciation. The Fund seeks to provide its stockholders with an efficient vehicle to invest in the energy infrastructure sector. The Fund commenced operations on August 27, 2007. The Fund s shares are listed on the New York Stock Exchange under the symbol SRV.

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. Investment Valuation

The Fund uses the following valuation methods to determine fair value as either current market value for investments for which market quotations are available, or if not available, the fair value, as determined in good faith pursuant to such policies and procedures as may be approved by the Fund s Board of Trustees (Board of Trustees) from time to time. The valuation of the portfolio securities of the Fund currently includes the following processes:

(i) The market value of each security listed or traded on any recognized securities exchange or automated quotation system will be the last reported sale price at the relevant valuation date on the composite tape or on the principal exchange on which such security is traded. If no sale is reported on that date, Swank Energy Income Advisors, LP (the Advisor) utilizes, when available, pricing quotations from principal market markers. Such quotations may be obtained from third-party pricing services or directly from investment brokers and dealers in the secondary market. Generally, the Fund s loan and bond positions are not traded on exchanges and consequently are valued based on market prices received from third-party services or broker-dealer sources.

(ii) Listed options on debt securities are valued at the average of the bid price and the ask price. Unlisted options on debt or equity securities are valued based upon their composite bid prices if held long, or their composite ask prices if held short. Futures are valued at the last sale price on the commodities exchange on which they trade.

(iii) The Fund s non-marketable investments will generally be valued in such manner as the Advisor determines in good faith to reflect their fair values under procedures established by, and under the general supervision and responsibility of, the Board of Trustees. The pricing of all assets that are fair valued in this manner will be subsequently reported to and ratified by the Board of Trustees.

The Fund may engage in short sale transactions. For financial statement purposes, an amount equal to the settlement amount, if any, is included in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short positions. Subsequent fluctuations in market prices of securities sold short may require purchasing the securities at prices which may differ from the market value reflected on the Statement of Assets and Liabilities. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized under the termination of a short sale. The Fund is also subject to the risk that it may be unable to reacquire a security to terminate a short position except at a price substantially in excess of the last quoted price. The Fund is liable for any dividends paid on securities sold short and such amounts would be reflected as dividend expense in the Statement of Operations. The Fund s obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer. The Fund also will be required to segregate similar collateral to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the securities sold short. There were no securities sold short at November 30, 2010.

C. Security Transactions, Investment Income and Expenses

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on a specific identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Distributions are recorded on the ex-dividend date. Distributions received from the Fund s investments in master limited partnerships (MLPs) generally are comprised of ordinary income, capital gains and return of capital from the MLP. The Fund records investment income on the ex-date of the distributions. For financial statement

TABLE OF CONTENTS

purposes, the Fund uses return of capital and income estimates to allocate the dividend income received. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Fund.

The Fund estimates the allocation of investment income and return of capital for the distributions received from MLPs within the Statement of Operations. Subsequent to November 30, 2009, the Fund revised the amount of investment income and return of capital it recognized based on the 2009 tax reporting information received from the individual MLPs. The Fund has estimated approximately 5% of the distributions to be from investment income with the remaining balance to be return of capital.

Expenses are recorded on the accrual basis.

D. Dividends and Distributions to Stockholders

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The character of dividends and distributions to common stockholders made during the year may differ from their ultimate characterization for federal income tax purposes. For the fiscal year ended November 30, 2010, the Fund s dividends and distributions were expected to be comprised of 100% return of capital. The tax character of distributions paid for the fiscal year ended November 30, 2010 will be determined in early 2011.

E. Federal Income Taxation

The Fund, taxed as a corporation, is obligated to pay federal and state income tax on its taxable income. Currently, the maximum marginal regular federal income tax rate for a corporation is 35%. The Fund may be subject to a 20% federal alternative minimum tax on its federal alternative minimum taxable income to the extent that its alternative minimum tax exceeds its regular federal income tax.

The Fund invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Fund reports its allocable share of the MLP s taxable income in computing its own taxable income. The Fund s tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognized if, based on the weight of avail

TABLE OF CONTENTS

able evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

The Fund has reviewed all open tax years and major jurisdictions and concluded that there is no impact on the Fund s net assets and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. As of November 30, 2010, the Fund s federal tax returns since inception remain subject to examination by the Internal Revenue Service.

F. Cash and Cash Equivalents

The Fund considers all highly liquid investments purchased with initial maturity equal to or less than three months to be cash equivalents.

G. Cash Flow Information

The Fund makes distributions from investments, which include the amount received as cash distributions from MLPs, common stock dividends and interest payments. These activities are reported in the Statements of Changes in Net Assets, and additional information on cash receipts and payments is presented in the Statement of Cash Flows.

H. Indemnifications

Under the Fund s organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund may enter into contracts that provide general indemnification to other parties. The Fund s maximum exposure under such indemnification arrangements, however, is unknown, as this would involve expenses relating to existing claims that have not yet been accrued or future claims that may be made against the Fund that have not yet occurred and may not occur.

As of November 30, 2010, the Fund had accrued and paid approximately $500,000 in expenses relating to the indemnification of its officers and trustees relating to the legal proceedings described in Note J, of which $209,000 was expensed during the fiscal year ended November 30, 2010 and is included in other expenses in the Statement of Operations. Subsequent to November 30, 2010, the Fund paid approximately $34,000 in expenses relating to the indemnification of its officers and trustees relating to the legal proceedings described in Note J. No further payments relating to these legal proceedings are anticipated.

I. Derivative Financial Instruments

The Fund provides disclosure regarding derivatives and hedging activity to allow investors to understand how and why the Fund uses derivatives, how derivatives

TABLE OF CONTENTS

are accounted for, and how derivative instruments affect the Fund s results of operations and financial position.

The Fund occasionally purchases and sells (writes) put and call equity options as a source of potential protection against a broad market decline. A purchaser of a put option has the right, but not the obligation, to sell the underlying instrument at an agreed upon price (strike price) to the option seller. A purchaser of a call option has the right, but not the obligation, to purchase the underlying instrument at the strike price from the option seller. Options are settled for cash.

Purchased Options Premiums paid by the Fund for purchased options are included in the Statement of Assets and Liabilities as an investment. The option is adjusted daily to reflect the current market value of the option and any change in fair value is recorded as unrealized appreciation or depreciation of investments. If the option is allowed to expire, the Fund will lose the entire premium paid and record a realized loss for the premium amount. Premiums paid for purchased options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain/loss or cost basis of the security.

Written Options Premiums received by the Fund for written options are included in the Statement of Assets and Liabilities. The amount of the liability is adjusted daily to reflect the current market value of the written option and any change in fair value is recorded as unrealized appreciation or depreciation of investments. Premiums received from written options that expire are treated as realized gains. The Fund records a realized gain or loss on written options based on whether the cost of the closing transaction exceeds the premium received. If a call option is exercised by the option buyer, the premium received by the Fund is added to the proceeds from the sale of the underlying security to the option buyer and compared to the cost of the closing transaction to determine whether there has been a realized gain or loss. If a put option is exercised by an option buyer, the premium received by the option seller reduces the cost basis of the purchased security.

Written uncovered call options subject the Fund to unlimited risk of loss. Written covered call options limit the upside potential of a security above the strike price. Put options written subject the Fund to risk of loss if the value of the security declines below the exercise price minus the put premium.

The Fund is not subject to credit risk on written options as the counterparty has already performed its obligation by paying the premium at the inception of the contract.

TABLE OF CONTENTS

During the fiscal year ended November 30, 2010, the Fund purchased 88,800 S&P Depository Receipts (SPDR) Trust Series 1 equity option put contracts with various exercise prices and sold 85,800 of these option contracts for a total loss of $5,495,618. The remaining 3,000 contracts expired for a total realized loss of $364,182. The total realized loss of $5,859,800 is included in net realized gain on investments in the Statement of Operations. The Fund did not hold any option contracts as of November 30, 2010 and November 30, 2009.

During the fiscal year ended November 30, 2010, the Fund wrote 65,100 SPDR Trust Series 1 short option put contracts with various exercise prices and covered all of these option contracts for a total gain of $1,634,427, which is included in net realized gain on investments in the Statement of Operations.

J. Legal Proceedings

On February 10, 2009, a putative class action lawsuit was filed in the United States District Court, Northern District of Texas, by Terri Morse Bachow on behalf of all persons who purchased shares of the Fund between September 1, 2008 and December 19, 2008, against the Advisor, Swank Capital, LLC, Jerry V. Swank, Mark W. Fordyce, Brian R. Bruce, Ronald P. Trout and Edward N. McMillan alleging violations of Sections 10(b) of the Securities Exchange Act of 1934 (the Exchange Act) by Mr. Swank and Mr. Fordyce, violations of Section 20(a) of the Exchange Act by Swank Capital, LLC, Mr. Swank, Mr. Fordyce, Mr. Bruce, Mr. Trout, and Mr. McMillan, and violations of Section 36(b) of the Investment Company Act of 1940 by Swank Capital, LLC. The complaint sought an unspecified amount in compensatory damages, actual damages, and fees and expenses incurred in the lawsuit. The plaintiff s claims related to the treatment and valuation of a deferred tax asset carried by the Fund under FASB Accounting Standards Codification No. 740, Income Taxes. Plaintiffs claimed that the Fund s NAV was inflated as a result of an alleged failure to apply a valuation allowance to its deferred tax asset. Defendants filed a motion to dismiss the complaint and the court granted in part and denied in part the motion to dismiss. The court dismissed all claims under Section 20(a) of the Exchange Act and Section 36(b) of the 1940 Act but did not dismiss the claim under Section 10(b) of the Exchange Act against Mr. Swank and Mr. Fordyce. On May 17, 2010, the Fund entered into a stipulation and Agreement of Settlement in the lawsuit. On September 13, 2010, the court entered an order approving the agreed upon settlement of the lawsuit which provided for the dismissal of the lawsuit with prejudice, the granting of board releases of the named defendants, the Fund and all affiliated entities and a payment to the plaintiffs by the Fund s insurance carrier of $3.6 million, which included payment of attorneys fees for plaintiffs counsel. The entire settlement amount was paid by the Fund s insurers.

TABLE OF CONTENTS

3. Concentrations of Risk

The Fund s investment objective is to seek to produce current income and capitalization. The Fund will seek to achieve its investment objective by investing, under normal market conditions, at least 80% of its net assets, plus any borrowings for investment purposes, in MLP investments; up to 50% of its managed assets in securities of MLPs and other natural resource companies that are not publicly traded, or that are otherwise restricted securities; up to 20% of its managed assets in securities of companies that are not MLPs, including other natural resource companies, and U.S. and non-U.S. issuers that may not constitute other natural resource companies; and up to 20% of its managed assets in debt securities of MLPs, other natural resource companies and other issuers.

4. Agreements and Related Party Transactions

The Fund has entered into an Investment Management Agreement with the Advisor (the Agreement). Under the terms of the Agreement, the Fund will pay the Advisor a fee, payable at the end of each calendar month, at an annual rate equal to 1.25% of the average weekly value of the Fund s managed assets during such month for the services and facilities provided by the Advisor to the Fund. The Advisor announced on December 19, 2008 that it will temporarily reduce the advisory fee charged to the Fund from an annual rate of 1.25% to 1.00%. Subsequently, the Advisor increased the advisory fee back to 1.25% beginning February 1, 2010. The Advisor earned $2,467,110 in advisory fees (net of $47,415 of advisory fees waived by the Advisor) for the fiscal year ended November 30, 2010.

The Fund has engaged U.S. Bancorp Fund Services, LLC to serve as the Fund s administrator. The Fund pays the administrator a monthly fee computed at an annual rate of 0.08% of the first $100,000,000 of the Fund s managed assets, 0.05% on the next $200,000,000 of managed assets and 0.04% on the balance of the Fund s managed assets, with a minimum annual fee of $40,000.

Computershare Trust Fund, N.A. serves as the Fund s transfer agent, dividend paying agent, and agent for the automatic dividend reinvestment plan.

U.S. Bank, N.A. serves as the Fund s custodian. The Fund pays the custodian a monthly fee computed at an annual rate of 0.004% of the Fund s average daily market value, with a minimum annual fee of $4,800.

TABLE OF CONTENTS

5. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and tax purposes. Components of the Fund s deferred tax assets and liabilities as of November 30, 2010, are as follows:

Deferred tax assets:	
Net operating loss carryforward	$ 3,099,443
Capital loss carryforward	39,918,948
Total deferred tax assets	43,018,391
Less Deferred tax liabilities:	
Unrealized gain on investment securities	24,133,916
Net deferred tax asset before valuation allowance	18,884,475
Valuation allowance	(18,884,475)
Net deferred tax asset	$

The net operating loss carryforward and capital loss carryforward are available to offset future taxable income. The Fund has the following net operating loss and capital loss amounts:

Fiscal Year Ended Net Operating Loss	Amount	Expiration
November 30, 2007	$	November 30, 2027
November 30, 2008	5,736,436	November 30, 2028
November 30, 2009	2,225,868	November 30, 2029
November 30, 2010		November 30, 2030
Total Fiscal Year Ended Net Operating Loss	$7,962,304	
Fiscal Year Ended Capital Loss		
November 30, 2007	$	NA
November 30, 2008	62,485,409	November 30, 2013
November 30, 2009	50,363,661	November 30, 2014
November 30, 2010		NA
Total Fiscal Year Ended Capital Loss	$112,849,070	

TABLE OF CONTENTS

For corporations, capital losses can only be used to offset capital gains and cannot be used to offset ordinary income. As such, for the fiscal year ended November 30, 2010, the Fund used capital loss carryforwards of $699,000 from the fiscal year ended November 30, 2007 and $1,653,000 from the fiscal year ended November 30, 2008 to offset its capital gains. The capital loss may be carried forward for 5 years and, accordingly, would begin to expire as of November 30, 2013. The net operating loss can be carried forward for 20 years and, accordingly, would begin to expire as of November 30, 2027.

The Fund has recorded a valuation allowance for the full amount of the deferred tax asset as the Fund believes it is more likely than not that the asset will not be utilized.

Total income tax benefit (current and deferred) differs from the amount computed by applying the federal statutory income tax rate of 35% to net investment income and realized and unrealized gains (losses) on investments before taxes for the fiscal year ended November 30, 2010, as follows:

Application of statutory income tax rate	$ 17,548,000
Change in state tax rate used to determine deferred tax	1,537,000
Dividends received deduction adjustment	445,000
Change in valuation allowance	(19,530,000)
Total tax expense	$

The decrease in the valuation allowance was due to a decrease in the net deferred tax asset of $19,530,000 during the fiscal year ended November 30, 2010. All federal and state tax amounts above are deferred balances and there were no current balances for federal or state taxes in the current year.

At November 30, 2010, the cost basis of investments was $217,350,111 and gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

Gross unrealized appreciation	$ 70,490,166
Gross unrealized depreciation	(2,264,663)
Net unrealized appreciation	$ 68,225,503

The Fund recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. Management has analyzed the Fund s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on U.S. tax returns and state tax returns filed since inception of the Fund. No income tax returns are currently under examination. All tax years since commencement of operations remain subject to examination by the tax authorities in the United States. Due to the nature of the

TABLE OF CONTENTS

Fund s investments, the Fund may be required to file income tax returns in several states. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

6. Fair Value Measurements

Various inputs that are used in determining the fair value of the Fund s investments are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical securities
Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
Level 3 significant unobservable inputs (including the Fund s own assumptions in determining the fair value of investments)
The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

These inputs are summarized in the three broad levels listed below.

		Fair Value Measurements at Reporting Date Using		
Description	Fair Value at November 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Common Stock[(a)]	$15,173,000	$15,173,000	$	$
Master Limited Partnerships and Related Companies[(a)]	254,005,620	254,005,620		
Total Equity Securities	269,178,620	269,178,620		
Notes				
Senior Notes[(a)]	16,213,364		16,213,364	