Salient Midstream & MLP Fund
Form 497
October 01, 2014
SALIENT MIDSTREAM & MLP FUND

SALIENT MLP & ENERGY INFRASTRUCTURE FUND

September 30, 2014

Dear Fellow Shareholders:

I want to share with you the details of an important Joint Proxy Statement/Prospectus that is enclosed and requires your action. It is being sent to you because you own shares of Salient Midstream & MLP Fund (SMM) and/or Salient MLP & Energy Infrastructure Fund (SMF), each a Delaware statutory trust.

A special meeting of the shareholders of SMM and SMF (each a Fund and together the Funds) will be held at 3 p.m., Central Time, on November 13, 2014 (the Meeting) at 4265 San Felipe, Suite 800, Houston 77027.

At the Meeting, the following will be considered:

- Shareholders of SMF will be asked to consider and approve a proposal authorizing the reorganization of SMF into SMM; and

- Shareholders of SMM will be asked to consider and approve the issuance of additional common shares of SMM in connection with the reorganization.

The reasons for the reorganization are the similarity of investment objectives, strategies, portfolios, management fees and administrative fees, as well as anticipated advantages including, but not limited to: (i) the opportunity for enhanced long-term market liquidity; (ii) certain operational cost savings through greater economies of scale described in greater detail in the enclosed materials; and (iii) greater operational financial flexibility.

The Board of Trustees of each Fund believes that each proposal is in the best interests of that Fund and its shareholders and unanimously recommends **that you vote FOR** each proposal.

The enclosed materials explain the proposals to be voted on at the Meeting in more detail, and I encourage you to review them carefully. **No matter how large or small your Fund holdings, your vote is extremely important.** I urge you to complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope or to vote by telephone or Internet as included in the instructions on your proxy card as soon as possible to assure that your shares are represented at the Meeting.

We appreciate your participation and prompt response in this matter. If you should have any questions regarding the proposals, or to quickly vote your shares, please call Okapi Partners, your Fund s proxy solicitor, toll-free at 1-877-629-6357. Thank you for your continued investment in the Funds.

Sincerely,

/s/ Gregory A. Reid

Gregory A. Reid
President and Chief Executive Officer
Salient Midstream & MLP Fund
Salient MLP & Energy Infrastructure Fund

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QUESTIONS AND ANSWERS

Although it is recommended that you read the complete Joint Proxy Statement/Prospectus accompanying this Questions and Answers section, a brief overview of the issues to be voted on has been provided below for your convenience. In this Questions and Answers section, the combination of Salient MLP & Energy Infrastructure Fund (SMF) with and into Salient Midstream & MLP Fund (SMM) is referred to as the Reorganization, and SMF and SMM are each also referred to in this section as a Fund and are referred to collectively as the Funds. In this section, the Combined Fund refers to SMM following the Reorganization.

The anticipated positive impact of the Reorganization is set forth below. No assurance can be given that the anticipated positive impact of the Reorganization will be achieved. In addition, this Joint Proxy Statement/Prospectus serves as a prospectus of SMM in connection with the issuance of additional SMM common shares (SMM Common Shares) in the Reorganization. For information regarding the risks associated with an investment in SMM, see Risk Factors and Special Considerations.

<u>Questions Regarding the Reorganization</u>

Q: What is the Proposed Reorganization?

A: The Boards of Trustees for SMF and SMM have approved a proposed reorganization, subject to shareholder approval, under which shareholders of SMF will receive SMM common shares and SMM would acquire substantially all of the assets and liabilities of SMF. Such transaction would occur on the basis of relative net asset value (NAV) of the Funds.

Q: Why did the Board of Trustees and Salient Capital Advisors, LLC recommend the Reorganization and what are the proposed benefits?

A: The Board of Trustees of each Fund and Salient Capital Advisors, LLC (the Adviser) have recommended the Reorganization given the Funds similar investment objectives and investment strategies. Each Fund has an investment objective to provide a high level of total return with an emphasis on making quarterly cash distributions to its shareholders. Each Fund is a Delaware statutory trust registered as a closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act), and each qualifies as a regulated investment company (RIC) for tax purposes. Further, the Funds have similar portfolios and operations. The table below shows the portfolio mix of each Fund and on a pro forma basis:

	SMF	SMM	SMM Pro Forma Combined Fund
MLPs	24.4%	23.9%	25.96%
MLPs held through C-Corp Subsidiary	23.0%	22.2%	24.50%
Midstream Companies	17.7%	21.9%	20.51%
MLP Affiliates	18.9%	17.7%	19.67%
Marine Midstream Companies	9.2%	8.5%	6.82%
Other	6.8%	5.8%	2.54%

As of May 31, 2014.

Q: What are the anticipated benefits of the Reorganization?

A: The Board of Trustees of each Fund as well as the Adviser believes that the Reorganization will be beneficial for the Funds and in the best interest of their respective shareholders for the following reasons, among others:

<u>Portfolio Management Efficiencies.</u> The Reorganization would permit the shareholders of SMF to pursue very similar investment goals in SMM within a larger fund.

<u>Economies of Scale in Other Expenses.</u> The Combined Fund is expected to offer economies of scale that may lead to lower per common share expenses. With respect to SMF shareholders, it is anticipated that the Combined Fund will have a lower operating expense level with estimated aggregate cost savings of approximately $564,315 annually recognized in the Combined Fund through operating cost savings and greater economies of scale. With respect to SMM shareholders, it is anticipated that, immediately after the Reorganization, the Combined Fund will have slightly higher operating expenses due to SMF having higher interest payments on borrowed funds and subsidiary deferred income tax expenses. The Funds incur both fixed expenses (e.g., board fees, regulatory filing fees, printing fees, legal and auditing services) and variable expenses (e.g., administrative, fund accounting and custodial services). Many of these fixed expenses are duplicative between the Funds, and there may also be an opportunity to reduce variable expenses over time in a Combined Fund by taking advantage of lower fees associated with higher asset levels and greater combined economies of scale.

<u>No Expected Adverse Distributions Impact.</u> The Combined Fund is expected to have a similar distribution policy as the standalone Funds currently have, with no adverse impact expected to the payment of quarterly distributions to shareholders. Additionally, we believe that there is potential for aggregate distribution growth going forward as a result of anticipated accretion to distributable cash flow. The actual distributions received and costs may be different than current or expected levels.

Leverage Impact. The amount of leverage as a percentage of total assets following the Reorganization is not expected to significantly change from that of each Fund on a standalone basis. The larger asset base of the Combined Fund may provide: (i) greater operational financial flexibility, (ii) access to attractive leverage terms, and (iii) a wider range of leverage alternatives. The table below illustrates the leverage of each Fund and on a pro forma basis.

	SMM	**SMF**	**SMM Pro Forma Combined Fund**
Leverage ($ in millions)	$ 113.3	$ 106.9	$ 220.2
Leverage as % of total assets	27.86%	29.31%	28.54%

Enhanced Common Shares Liquidity. The larger market capitalization of the Combined Fund may provide an opportunity for enhanced market liquidity over the long-term. Increased float and greater market liquidity may lead to a narrowing of bid-ask spreads and reduce price movements on a trade-to-trade basis. The table below illustrates the market capitalization of each Fund and on a pro-forma basis.

Market capitalization ($ in millions)

SMM	**SMF**	**SMM Pro Forma Combined Fund**
$255.4	$ 235.4	$ 490.8

Information as of May 31, 2014 and assumes the Reorganization occurred on May 31, 2014.

Q: How many shares of SMM will shareholders own following the Reorganization?

A: SMM shareholders: You will remain a shareholder of SMM and your currently issued and outstanding shares of SMM will remain outstanding.

SMF common shareholders: You will receive SMM common shares having an aggregate NAV (i.e., not market value) equal to the aggregate NAV (i.e., not market value) of your outstanding SMF common shares. No fractional SMM common shares will be issued in the Reorganization; instead it is anticipated that SMF shareholders will receive cash in an amount equal to the value of the fractional SMM common shares they would otherwise have received.

Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganization?

A: No. You will pay no sales loads or commissions in connection with the Reorganization. The Funds will bear the costs associated with the proposed Reorganization (whether or not the Reorganization is completed). Costs specific to a particular Fund will be expensed to such Fund, while non-specific costs will be allocated on a pro rata basis based upon each Fund s net assets. Costs related to the Reorganization are currently estimated to be approximately 0.3% of net assets, which equates to $0.009 per share for SMM and $0.012 per share for SMF as of May 31, 2014. The Adviser expects that the increased distributable cash flow resulting from the SMM Pro Forma Combined Fund s anticipated operating expenses should allow the recovery of the projected costs of the Reorganization borne by the Funds within approximately 2 quarters from the closing of the Reorganization.

Q: How are management fees calculated?

A: Under the terms of the investment management agreement for SMF, the Fund pays the Adviser a management fee, computed and paid monthly at an annual rate of 1.20% of the Fund s average monthly total assets. Under the terms of the investment management agreement for SMM, the Fund pays the Adviser a management fee, computed and paid monthly at an annual rate of 1.20% of the average monthly consolidated total assets of the Fund. The primary difference in methodologies is that SMF s fee is based on average monthly total assets compared to average monthly consolidated total assets for SMM. Accordingly, the management fee for SMF does not take into account the leverage used in the subsidiary C corporation, whereas such leverage is taken into account for purposes of calculating the SMM management fee. The management fee for the Combined Fund will be calculated using the SMM methodology, which will result in a higher management fee for SMF shareholders.

Q: Is the Reorganization expected to be a taxable event for Fund shareholders?

A: No. The Reorganization is intended to qualify as tax-free for federal income tax purposes. This means the shareholders will recognize no gain or loss for federal income tax purposes as a result of the Reorganization.

Q: Will the August 2, 2013 Internal Revenue Service (IRS) proposed regulations relating to the aggregation of investment holdings within the Subsidiary C Corporation have any impact with the proposed Reorganization?

A: The IRS proposed regulations have no immediate impact on the Reorganization. The IRS received significant comments on the proposal and has not taken further action on the proposal. If the proposed regulations are adopted and finalized in their current form, the Funds expect to reduce their overall investments in MLPs, whether held in the Funds directly or held by the Subsidiary C Corporations, to no more than 25% of the Funds consolidated total assets. The Funds would otherwise continue to pursue their current investment objectives and strategies.

Q: I am an investor who holds a small number of shares. Why should I vote?

A: Your vote makes a difference. If many shareholders like you fail to vote their shares, the Funds may not receive enough votes to go forward with the Meeting, resulting in a delay, increased costs to the Funds and possible failure of the proposed actions.

Q: Who will vote on the Reorganization and how will the Reorganization affect shareholders?

A: Common shareholders of SMM will vote to approve issuance of additional shares of SMM in connection with the Reorganization and common shareholders of SMF will vote to approve the Reorganization. SMM shareholders will remain shareholders of SMM. SMF shareholders will become shareholders of SMM. The assets and liabilities of SMF will be contributed to SMM and SMF will cease its separate existence under Delaware law.

Q: Why is the vote of SMM shareholders being solicited in connection with the Reorganization?

A: Although SMM will continue its legal existence and operations after the Reorganization, the rules of the NYSE (on which SMM s common shares are listed) require SMM s shareholders to approve the issuance of additional SMM Common Shares because the number of SMM Common Shares to be issued in the Reorganization will be, upon issuance, in excess of 20 percent of the number of common shares of SMM outstanding prior to the Reorganization.

Q: What happens if the shareholders of SMM do not approve the issuance of additional SMM Common Shares in connection with the Reorganization?

A: If the issuance of additional SMM Common Shares is not approved, the Reorganization will not occur, and the Board of Trustees of each Fund will separately consider alternatives it determines to be in the best interests of such Fund s shareholders, including re-proposing the Reorganization.

Q: What happens if SMF shareholders do not approve the Reorganization?

A: If SMF shareholders do not approve the Reorganization, the Reorganization will not occur, shares of SMM will not be issued, and the Board of Trustees of each Fund will separately consider alternatives it determines to be in the best interests of such Fund s shareholders, including re-proposing the Reorganization.

Q: What is the timetable for the Reorganization?

A: If shareholder voting and other conditions to closing are satisfied, the Reorganization is expected to take effect before the end of 2014.

General Questions

Q: How does the Board of Trustees of my Fund suggest that I vote?

A: After careful consideration, the Board of Trustees of each Fund recommends that you vote FOR the item proposed for your Fund.

Q: How do I vote my shares?

A: You may vote using one of the methods below by following the instructions on your proxy card:

By touch-tone telephone; simply dial the toll-free number located on the enclosed proxy card. Please be sure to have your proxy card available at the time of the call.

By internet; please log on to the voting website detailed on the enclosed proxy card. Again, please have your proxy card handy at the time you plan on voting.

By returning the enclosed proxy card in the postage-paid envelope; or

In person at the Meeting.

Q: Who do I contact for further information?

A: If you should have any questions regarding the proposals, please call Okapi Partners, your Fund s proxy solicitor, toll-free at (877) 629-6357.

Q: Will anyone contact me?

A: You may receive a call from Okapi Partners, your Fund s proxy solicitor, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to vote your proxy. We recognize the potential inconvenience of the proxy solicitation process and would not undertake the process if we did not believe that the matters being proposed were important. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor s follow-up contact list.

Your vote is very important. We encourage you as a shareholder to participate in your Fund s governance by returning your vote as soon as possible. If enough shareholders fail to cast their votes, your Fund may not be able to hold its meeting or the vote on each issue, and may be required to incur additional solicitation costs in order to obtain sufficient shareholder participation.

SALIENT MIDSTREAM & MLP FUND

SALIENT MLP & ENERGY INFRASTRUCTURE FUND

4265 San Felipe, 8th Floor

Houston, TX 77027

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 13, 2014

Notice is hereby given that a joint special meeting of shareholders (the Meeting) of Salient Midstream & MLP Fund (SMM) and Salient MLP & Energy Infrastructure Fund (SMF) will be held at 4265 San Felipe, 8th Floor, Houston, TX 77027 on November 13, 2014 at 3 p.m., Central Time, for the following purposes:

1. Reorganization
For shareholders of SMF:

(i) to consider and vote upon a proposal to approve an Agreement and Plan of Reorganization to combine SMF with and into SMM.

2. Issuance of Common Shares of SMM in Connection with Reorganization
For shareholders of SMM:

(i) to consider and vote upon a proposal to approve the issuance of additional common shares of SMM in connection with the reorganization of SMF with and into SMM.

Shareholders of record as of the close of business on October 6, 2014 are entitled to notice of, and to vote at, the Meeting or any adjournment thereof.

The Board of Trustees of SMM and SMF unanimously recommends shareholders vote FOR the proposal involving their Fund.

Whether or not you expect to attend the Meeting, please vote your shares by following the detailed instructions provided on your proxy or voting instruction card.

IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, THE BOARDS OF TRUSTEES ASK THAT YOU VOTE PROMPTLY, NO MATTER HOW MANY SHARES YOU OWN.

For the Boards of Trustees,

/s/ Gregory A. Reid
Gregory A. Reid
President and Chief Executive Officer
Salient Midstream & MLP Fund
Salient MLP & Energy Infrastructure Fund
September 30, 2014

JOINT PROXY STATEMENT/PROSPECTUS

SALIENT MIDSTREAM & MLP FUND

SALIENT MLP & ENERGY INFRASTRUCTURE FUND

4265 San Felipe, 8th Floor

Houston, TX 77027

(713) 993-4675

JOINT SPECIAL MEETING OF SHAREHOLDERS

September 30, 2014

This Joint Proxy Statement/Prospectus is furnished to you as a shareholder of Salient Midstream & MLP Fund (SMM) and/or Salient MLP & Energy Infrastructure Fund (SMF), each a Delaware statutory trust registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). A joint special meeting of shareholders of SMM and SMF (the Meeting) will be held at 4265 San Felipe, 8th Floor, Houston, Texas 77027 on November 13, 2014, at 3p.m., Central Time, to consider the items listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. SMM and SMF are each sometimes referred to herein as a Fund and are sometimes referred to herein collectively as the Funds.

If you are unable to attend the Meeting or any adjournment thereof, the Board of Trustees of each of SMM and SMF requests that you vote your shares by referring to the enclosed proxy or voting instruction card for detailed instructions on how you may vote your shares. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is September 30, 2014.

MEETING

The purposes of the Meeting are:

1. Reorganization

For shareholders of SMF:

(i) to consider and vote upon a proposal to approve an Agreement and Plan of Reorganization to combine SMF with and into SMM (the Reorganization).

2. Issuance of SMM Common Shares in Connection with Reorganization

For shareholders of SMM:

(i) to consider and vote upon a proposal to approve the issuance of additional common shares of SMM in connection with the Reorganization.

Shareholders of record as of the close of business on October 6, 2014 are entitled to notice of, and to vote at, the Meeting or any adjournment or postponement thereof. Each shareholder is entitled to one vote for each share owned by such shareholder with respect to the item(s) proposed for such shareholder s Fund(s).

The Agreement and Plan of Reorganization between SMM and SMF is sometimes referred to herein as the Reorganization Agreement. SMM following the Reorganization is sometimes referred to herein as the Combined Fund. The Board of Trustees of each Fund has determined that including these proposals in one Joint Proxy Statement/Prospectus will reduce costs and is in the best interests of each Fund and its shareholders.

ADDITIONAL INFORMATION

This Joint Proxy Statement/Prospectus sets forth the information shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of common shares of SMM. Please read it carefully and retain it for future reference. A Reorganization Statement of Additional Information, dated September 30, 2014, relating to this Joint Proxy Statement/Prospectus (the Reorganization Statement of Additional Information) has been filed with the Securities and Exchange Commission (the SEC) and is incorporated herein by reference. Copies of each Fund s most recent annual report and semi-annual report can be obtained on a web site maintained by Salient Partners, L.P. (Salient), the parent of the Funds investment adviser, Salient Capital Advisors, LLC (the Adviser), at www.salientpartners.com/funds. In addition, each Fund will furnish, without charge, a copy of the Reorganization Statement of Additional Information, its most recent annual report and any more recent quarterly report to any shareholder upon request. Any such request should be directed by calling toll-free at (800) 809-0525 or by writing to the respective Fund at its principal executive offices at 4265 San Felipe, 8th Floor, Houston, Texas 77027. The telephone number of the principal executive offices of the Funds is (713) 993-4675.

The Funds are subject to certain informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements, proxy materials and other information with the SEC. Materials filed with the SEC can be reviewed and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or downloaded from the SEC s web site at www.sec.gov. Information on the operation of the SEC s Public

Reference Room may be obtained by calling the SEC at (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC s e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, SEC, Washington, DC, 20549-0102.

The currently outstanding common shares of SMM are listed on the New York Stock Exchange (NYSE) under the ticker symbol SMM and will continue to be so listed subsequent to the Reorganization. It is expected that the newly issued common shares of SMM issued in connection with the Reorganization will be listed on the NYSE. The currently outstanding common shares of SMF are also listed on the NYSE under the ticker symbol SMF. Reports, proxy statements and other information concerning SMM and SMF may be inspected at the offices of the NYSE, 20 Broad Street, New York, NY 10005

This Joint Proxy Statement/Prospectus serves as a prospectus of SMM in connection with the issuance of common shares of SMM in the Reorganization. No person has been authorized to give any information or make any representation not contained in this Joint Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Joint Proxy Statement/Prospectus is September 30, 2014.

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GLOSSARY OF KEY TERMS

This glossary contains definitions of certain key terms, as they are used in the Fund s investment objective and policies and as described in this Joint Proxy Statement/Prospectus. These definitions may not correspond to standard sector definitions.

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

Marine Midstream Companies means public companies that provide transportation and distribution services of energy-related products through the ownership and operation of marine transportation vessels (including tankers, barges and tugboats).

Midstream Assets means assets used in transporting, storing, gathering, processing, distributing, marketing and/or delivering of natural gas, natural gas liquids, crude oil or refined products or coal.

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

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

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

MLPs means entities that are structured as Master Limited Partnerships and includes Midstream MLPs, and other energy MLPs. Master Limited Partnerships means limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for U.S. federal income tax purposes.

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

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

SUMMARY

The following is a summary of certain information contained elsewhere in this Joint Proxy Statement/Prospectus and is qualified in its entirety by reference to the more complete information contained in this Joint Proxy Statement/Prospectus and in the Reorganization Statement of Additional Information. Shareholders should read this entire Joint Proxy Statement/Prospectus carefully.

PROPOSAL 1: Reorganization

The Reorganization

The Board of Trustees of each Fund, including the Trustees who are not interested persons of each Fund (as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act)) (such trustees, the Independent Trustees), has unanimously approved the Agreement and Plan of Reorganization (Reorganization Agreement). If the shareholders of SMF approve the Reorganization and the shareholders of SMM approve the issuance of additional SMM common shares (SMM Common Shares) (see Proposal 2: Issuance of Additional SMM Common Shares in the Reorganization), SMF will contribute all of its assets to SMM in exchange for newly issued SMM Common Shares and the assumption by SMM of the liabilities of SMF and shareholders of SMF will become shareholders of SMM. As a result of the Reorganization, each common share of SMF will be replaced with newly issued SMM Common Shares. The aggregate NAV of SMM Common Shares received by SMF common shareholders in the Reorganization will equal the aggregate NAV of SMF common shares held on the business day immediately prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. SMF will cease its separate existence under Delaware law and terminate its registration under the 1940 Act. SMM will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus.

If the Reorganization is not approved by shareholders of SMF, or if the issuance of SMM Common Shares is not approved by SMM s shareholders, SMF and SMM will continue to operate as standalone Delaware statutory trusts advised by the Adviser. The Board of Trustees of each Fund would consider what additional action, if any, to take, including re-proposing the Reorganization, and each Fund would continue its investment activities in the normal course.

Background and Reasons for the Proposed Reorganization

The proposed Reorganization will combine the assets and liabilities of the Funds (each a non-diversified closed-end management investment company under the 1940 Act). The Reorganization seeks to combine two similar and compatible funds with similar investment objectives and investment strategies and is expected to result in several benefits to SMF and SMM shareholders.

In unanimously approving the Reorganization, the Board of Trustees of each Fund, including each Fund s Independent Trustees, determined that participation in the Reorganization is in the best interests of each Fund and its shareholders and that the interests of the shareholders of each Fund will not be diluted with respect to NAV as a result of the Reorganization. Before reaching these conclusions, the Board of Trustees of each Fund engaged in a thorough review process relating to the proposed Reorganization. The Boards of Trustees of each Fund, including the Independent Trustees, considered the Reorganization at meetings held in 2014 and unanimously approved the Reorganization at meetings held on April 15, 2014 and May 20, 2014.

The primary factors considered by the Board of Trustees of each Fund with regard to the Reorganization included, but were not limited to, the following:

- Each Fund has an investment objective of providing shareholders a high level of total return with an emphasis on quarterly cash distributions to its shareholders.

- The Funds have similar and compatible ongoing investment strategies and portfolios.

- The Reorganization may create the opportunity for enhanced market liquidity over the long-term.

- The expectation of certain cost savings at the Combined Fund through the reduction of duplicative fixed expenses and a reduction in variable expenses. With respect to SMM shareholders, it is anticipated that, immediately after the Reorganization, the Combined Fund will have slightly higher operating expenses due to SMF having higher interest payments on borrowed funds and subsidiary deferred income tax expenses.

- The larger asset base of the Combined Fund may provide greater financial flexibility.

- No gain or loss is expected to be recognized by shareholders of any Fund for U.S. federal income tax purposes as a result of the Reorganization.

- The expectation that SMF shareholders should carry over to SMM the same aggregate tax basis if the Reorganization is treated as tax-free as intended.

- The deferred tax assets and liabilities of each Fund s subsidiary C corporation (a subsidiary C corporation) are accounted for in NAV.

The exchange will take place at the Funds relative NAV.

Shareholder rights are expected to be preserved in the Combined Fund.

The Adviser is expected to continue to manage the Combined Fund.

The relative performance history of each Fund.

The Board of Trustees of each Fund made its determination with regard to the Reorganization on the basis of each Trustee s business judgment after consideration of all of the factors taken as a whole, though individual Trustees may have placed different weight on various factors and assigned different degrees of materiality to various factors. See Proposal 1: Reorganization Reasons for the Reorganization.

Fees and Expenses for Common Shareholders of the Funds as of May 31, 2014.

Shareholder Transaction Expenses	**SMM**(1)	**SMF**(1)	**SMM Pro Forma Combined Fund**(2)
Sales Load (as a percentage of offering price)(3)	None	None	None
Distribution Reinvestment Plan Fees	None	None	None
Annual Expenses (as a percentage of net assets attributable to common shares as of May 31, 2014)			
Management Fees(4)	1.79%	1.66%	1.79%
Interest Payments of Borrowed Funds(5)	0.41%	0.48%	0.37%

Shareholder Transaction Expenses	SMM[(1)]	SMF[(1)]	SMM Pro Forma Combined Fund[(2)]
Subsidiary Deferred Income Tax Expense[(6)]	3.10%	3.35%	3.22%
Other Expenses[(7)]	0.38%	0.48%	0.30%
Total Annual Expenses	5.68%	5.97%	5.68%

The above table and example below contain information about the change in operating expenses expected as a result of the Reorganization. The table sets forth (i) the fees and expenses, including leverage costs, as a percentage of net assets as of May 31, 2014, for each Fund and (ii) the pro forma fees and expenses, including leverage costs, for the Combined Fund, assuming the Reorganization had taken place on May 31, 2014. The fees and expenses are presented as a percentage of net assets and not as a percentage of gross assets or managed assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets in which a Fund may invest. The annual operating expenses for each Fund reflect fixed expenses for a trailing 12-month period and variable expenses assuming each Fund s capital structure and asset levels as of May 31, 2014. The pro forma annual operating expenses are projections for a 12-month period, assuming each Fund s capital structure and asset levels as of May 31, 2014. These pro forma projections include the increase (for SMM shareholders) and decrease (for SMF shareholders) in operating expenses expected as a result of the Reorganization, assuming the Combined Fund s capital structure and asset levels as of May 31, 2014.

(1) Each Fund will bear expenses incurred in connection with the Reorganization (whether or not the Reorganization is consummated), including but not limited to, costs related to the preparation and distribution of materials distributed to each Fund s Board of Trustees, expenses incurred in connection with the preparation of the Reorganization Agreement and the registration statement on Form N-14, SEC filing fees and legal and accounting fees in connection with the Reorganization, legal fees incurred preparing each Fund s Board materials, attending each Fund s Board meetings, stock exchange fees, transfer agency fees and any similar expenses incurred in connection with the Reorganization. Expenses specific to one or each of SMM or SMF are expensed as incurred while non-fund specific expenses are allocated on a pro rata basis based upon net assets. If the Reorganization is approved, expenses are estimated to be $85,500 for SMM and $85,500 for SMF, for a total of $171,000. Costs related to the Reorganization are currently estimated to be approximately 0.03% of net assets, which equates to $0.012 per share for SMM and $0.009 per share for SMF as of May 31, 2014. The Adviser expects that the increased distributable cash flow resulting from the SMM Pro Forma Combined Fund s anticipated operating expenses should allow the recovery of the projected costs of the Reorganization borne by the Funds within approximately 2 quarters from the closing of the Reorganization.

(2) The pro forma annual operating expenses are projections for a 12-month period and do not include expenses to be borne by the Funds in connection with the Reorganization.

(3) No sales load will be charged in connection with the issuance of SMM Common Shares as part of the Reorganization. Common shares are not available for purchase from the Funds but shares of SMM may be purchased on the NYSE through a broker-dealer subject to individually negotiated commission rates. Common shares purchased in the secondary market may be subject to brokerage commissions or other charges.

(4) With respect to each of SMM and the Combined Fund, the Adviser is entitled to receive a management fee at an annualized rate of 1.20%, based on the average monthly consolidated total assets of such Fund, accrued and payable monthly. With respect to SMF, the Adviser is entitled to receive a management fee at an annualized rate of 1.20%, based on the average monthly total assets of SMF, accrued and payable monthly. See Management of the Funds Compensation and Expenses.

(5) Reflects interest expense and commitment fees on, with respect to SMM, $964,214 and, with respect to SMF, $998,286 in average consolidated borrowings under the credit facilities described below under Use of Leverage.

(6) Each subsidiary is classified for federal income tax purposes as a taxable regular corporation or so called Subchapter C Corporation. As a C Corporation, each subsidiary (and thus indirectly the applicable Fund) accrues

deferred tax liability associated with the capital appreciation of its investments and the distributions received by the subsidiary on equity securities of MLPs considered to be a return of capital and for any net operating gains. The subsidiary s accrued deferred tax liability, if any, is reflected in the applicable Fund s net asset value per share. The deferred income tax expense/(benefit) represents an estimate of the subsidiary s potential tax expense/(benefit) if it were to recognize the unrealized gains/(losses) in the portfolio. An estimate of deferred income tax expense/(benefit) is dependent on the subsidiary s net investment income/(loss) and realized and unrealized gains/(losses) on investments, and such expense/(benefit) may vary greatly from year to year and week to week depending on the nature of the subsidiary s investments, the performance of those investments and general market conditions. Therefore, any estimate of deferred income tax expense/(benefit) cannot be reliably predicted from year to year. For the period ended May 31, 2014, SMM s subsidiary (and thus indirectly SMM) had net operating gains of $13,039,194 and accrued $6,792,775 in net deferred tax expense primarily related to unrealized appreciation on investments. For the period ended May 31, 2014, SMF s subsidiary (and thus indirectly SMF) had net operating gains of $11,922,971 and accrued $6,968,920 in net deferred tax expense primarily related to unrealized appreciation on investments.

(7) Other Expenses in the table include costs incurred in connection with each Fund s operations, including but not limited to payments to a Fund s administrator, custodian, fund accountant, transfer agent, tax preparer, legal counsel, and its independent public accounting firm. Other Expenses are based on estimated amounts for the current fiscal year.

Example:

The following example is intended to help you compare the costs of investing in the Combined Fund pro forma after the Reorganization with the costs of investing in SMM and SMF without the Reorganization. An investor would pay the following expenses on a $1,000 investment, assuming (1) the operating expense ratio for each Fund (as a percentage of net assets attributable to common shares) set forth in the table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
SMM	$ 57	$ 169	$ 279	$ 549
SMF	$ 59	$ 177	$ 291	$ 569
SMM Pro Forma Combined Fund[(a)]	$ 57	$ 169	$ 279	$ 549

(a) These figures assume that the Reorganization occurred on May 31, 2014. These figures also reflect the anticipated reduction (for SMF shareholders) and increase (for SMM shareholders) in other operating expenses due to elimination of certain duplicative expenses and economies of scale as a result of the Reorganization. As described above, with respect to SMM shareholders, it is anticipated that, immediately after the Reorganization, the Combined Fund will have slightly higher operating expenses due to SMF having higher interest payments on borrowed funds and subsidiary deferred income tax expenses.

The example and the expenses in the table above should not be considered a representation of future expenses. The example assumes that the estimated Total Annual Expenses set forth in the Annual Expenses table are accurate and that all Distributions are reinvested at net asset value. Actual expenses (including the cost of financial leverage and other expenses) may be greater or less than shown. Moreover, a Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

Deferred Tax Liabilities

As of May 31, 2014, the net deferred tax liability amounts and percentage of net assets for each Fund are as stated below.

	SMM	SMF
Net Deferred Tax Liability	$ 13,767,876	$ 15,073,792
Net Deferred Tax Liability As a Percentage of Fund Net Assets	5.04%	6.38%

Although the Funds are not a tax-paying entities, each Fund invests in a subsidiary C corporation that invests in MLPs. As tax-paying entities, each subsidiary C corporation records a deferred tax asset (an amount that can be used to offset future taxable income) or a deferred tax liability (a tax due in the future). As of May 31, 2014, each Fund s subsidiary C corporation had a net deferred tax liability. These deferred tax liabilities are attributable to unrealized gains on investments. Any deferred tax liability balance of a subsidiary C corporation will reduce the applicable Fund s net asset value under U.S. GAAP and will be reflected in the exchange rate for the Reorganization. Additionally, the effective tax rate for the Combined Fund will be dependent upon the operating results of its underlying portfolio and as such it is expected that over time it may differ slightly from that of the standalone Funds.

Although each subsidiary C corporation currently has a net deferred tax liability, it periodically reviews the recoverability of its deferred tax assets based on the weight of available evidence. When assessing the recoverability of its deferred tax assets, significant weight is given to the effects of potential future realized and unrealized gains on investments and the period over which these deferred tax assets can be realized. Based on each subsidiary C corporation s assessment, it has determined that it is more likely than not that its deferred tax asset will be realized through future taxable income of the appropriate character, even after taking into account limitations placed on the use of such tax assets as a result of the Reorganization.

Comparison of the Funds

SMM and SMF are each Delaware statutory trusts registered as non-diversified, closed-end management investment companies under the 1940 Act. Each Fund is (i) managed by Salient Capital Advisors, LLC, (ii) has an investment objective of providing a high level of total return with an emphasis on making quarterly cash distributions to its shareholders, (iii) seeks to achieve that objective by investing primarily in certain energy investments (i.e., SMM invests at least 80% of its total assets in securities of Midstream Companies and MLPs; and SMF invests at least 80% of its total assets in securities of MLPs and Energy Companies), and (iv) has nearly identical fundamental investment policies and similar nonfundamental investment policies. Neither Fund is a tax-paying entity, except that each Fund invests in a tax-paying subsidiary. See Proposal 1: Reorganization Comparison of the Funds for a more detailed comparison of the Funds. After the Reorganization, the investment strategies and significant operating policies will be those of SMM.

Further Information Regarding the Reorganization

The parties believe that the Reorganization will be characterized for federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. If the Reorganization so qualifies, in general, shareholders of SMF will recognize no gain or loss upon the receipt of SMM shares in connection with the Reorganization. Additionally, if the Reorganization so qualifies, SMF will recognize no gain or loss as a result of the transfer of all of its assets and liabilities in exchange for shares of SMM or as a result of its dissolution and neither SMM nor its shareholders will recognize any gain or loss in connection with the Reorganization. If the Reorganization so qualifies, the aggregate tax basis of SMM Common Shares received by shareholders of SMF should be the same as the aggregate tax basis of the common shares of SMF surrendered in exchange therefore.

The Board of Trustees of SMF recommends that SMF shareholders approve the Reorganization at the Meeting to be held on November 13, 2014. Shareholder approval of the Reorganization requires the affirmative vote of a majority of the outstanding voting securities (which as defined in the 1940 Act and used herein means the lesser of (a) 67% or more of the shares of the Fund present or represented by proxy at a meeting if the holders of more than 50% of the outstanding shares are present or represented at the meeting or (b) more than 50% of outstanding shares of a Fund) of SMF.

Subject to the requisite approval of a majority of the outstanding voting securities of SMF with regard to the Reorganization and the requisite approval of SMM with regard to the issuance of additional SMM Common Shares in connection with the Reorganization, it is expected that the closing date of the Reorganization (the Closing Date) will be after the close of business on or about November 14, 2014, but it may be at a different time as described herein.

On August 2, 2013, the IRS issued proposed regulations which, if ultimately adopted in their current form, would require each of the Funds to aggregate investment holdings of their taxable subsidiary corporations with their direct investment holdings for purposes of determining whether more than 25% of its total assets are invested in the securities of, as any such regulation would be relevant to the Funds, one or more MLPs. The IRS proposed regulations have no immediate impact on the Funds. The IRS received significant comments on the proposal and has not taken further action on the proposal. If the proposed regulations are adopted and finalized in their current form, the Funds (or the Combined Fund should it Reorganization be approved prior to such adoption) expect to reduce their overall investments in MLPs, whether held in the Funds (or Combined Fund) directly or held by their subsidiary C corporations, to no more than 25% of each Fund s (or Combined Fund s) consolidated total assets. The Funds (or Combined Fund) would otherwise continue to pursue their current investment objectives and strategies.

The Board of Trustees of SMF unanimously recommends SMF shareholders vote FOR the Reorganization.

PROPOSAL 2: ISSUANCE OF ADDITIONAL SMM COMMON SHARES

In connection with the proposed Reorganization described under Proposal 1: Reorganization, SMM will issue additional SMM common shares and list such shares on the NYSE. The Reorganization will result in no reduction of the NAV of the SMM Common Shares immediately following the Reorganization other than to reflect the costs of the Reorganization. No gain or loss is expected to be recognized by SMM or its shareholders in connection with the Reorganization. The Board of Trustees of SMM, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit shareholders of SMM. The Funds have identical investment objectives and similar investment strategies, and the Reorganization will permit each Fund to continue to pursue such objectives and strategies in a larger fund. Additionally, the Reorganization is expected to result in several benefits for shareholders in the Combined Fund, including (i) the opportunity for enhanced long-term market liquidity; (ii) certain anticipated cost savings through increased economies of scale as described in greater detail herein; and (iii) greater operational financial flexibility.

The Board of Trustees of SMM recommends that shareholders of SMM approve the issuance of additional SMM Common Shares in connection with the Reorganization at the Meeting to be held on November 13, 2014. Shareholder approval of the issuance of additional SMM Common Shares requires the affirmative vote of a majority of a quorum (33 1/3% of the outstanding shares eligible to vote on any matter at a meeting in person or by proxy) of SMM s outstanding common shares. Subject to the requisite approval of the shareholders of SMF with regard to the Reorganization, it is expected that the Closing Date will be after the close of business on or about November 14, 2014, but it may be at a different time as described herein. For additional information about the Reorganization, including a comparison of SMM and SMF, the reasons for the Reorganization and the U.S. Federal income tax consequences of the Reorganization, see Proposal 1: Reorganization.

The Board of Trustees of SMM unanimously recommends SMM shareholders vote FOR the issuance of additional SMM Common Shares.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Because each Fund, under normal market conditions, invests a substantial amount of its assets in equity securities of entities in the energy sector, the risks inherent in such investments are applicable to each Fund and will continue to apply to the Combined Fund after the Reorganization. Below are the primary risks of investing in SMM. The risks for investing in SMF are substantially the same, except that risks that apply to SMM with respect to investments in MLPs and Midstream Companies apply with equal force to SMF with respect to investments in MLPs and Energy Companies. You should carefully consider the following risks before voting.

MARKET DISCOUNT RISK

Shares of closed-end management investment companies frequently trade at prices lower than their net asset value, which is commonly referred to as trading at a discount. Since inception, the market price of the Fund s common shares has fluctuated and at times the shares have traded below the Fund s net asset value, and at times have traded above net asset value. This characteristic of shares of closed-end management investment companies is a risk separate and distinct from the risk that the Fund s net asset value may decrease. Investors who sell their shares within a relatively short period after completion of the public offering are likely to be exposed to this risk. Accordingly, the Fund is designed primarily for long-term investors and should not be considered a vehicle for trading purposes.

Whether investors will realize a gain or loss upon the sale of common shares will depend upon whether the market value of the shares at the time of sale is above or below the price the investor paid for the shares, taking into account transaction costs, and is not directly dependent upon its net asset value. Because the market value of the Fund s common shares is determined by factors such as the relative demand for and supply of the Fund s common shares in the market, general market conditions and other factors beyond its control, the Fund cannot predict whether the Fund s common shares will trade at, below or above net asset value.

NON-DIVERSIFICATION RISK

Overall risk can be reduced by investing in securities from a diversified pool of issuers, while overall risk is increased by investing in securities of a small number of issuers. As a non-diversified closed-end management investment company under the 1940 Act, the Fund has fewer limitations in the proportion of its assets that may be invested in securities of a single issuer, which means that the Fund is allowed to invest a greater portion of its assets in a more limited number of issuers than a diversified fund. To the extent the Fund invests a relatively high percentage of its assets in the obligations of a limited number of issuers, the Fund may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence. Additionally, as a result, credit, market and other risks associated with its investment strategies or techniques may be more pronounced for the Fund than for a fund that is diversified.

INVESTMENT AND MARKET RISK

An investment in the Fund s common shares is subject to investment risk, including the possible loss of the entire amount invested. An investment in common shares represents an indirect investment in the securities owned by the Fund, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in the Fund s common shares is not intended to constitute a complete investment program and should not be viewed as such. The value of the securities in which the Fund invests, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which the Fund invests may affect the value of common shares. Your investment in the Fund s common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of distributions. The Fund is primarily a long-term investment vehicle and should not be used for short-term trading.

INDUSTRY SPECIFIC RISK

Additionally, the Fund s investments will be generally concentrated in Midstream Companies and MLPs. Certain risks inherent in investing in these types of securities include the following:

Regulatory Risk. Midstream Companies and MLPs in which the Fund may invest are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and sa