



## Timely thematic topic:

# 10 reasons energy should be part of your portfolio allocation

At Tortoise, we think the energy sector warrants a portfolio allocation.

### Here are 10 reasons why:

1. The essential nature of the sector, the correlation to GDP, and the relative valuation to other sectors in the S&P 500
2. 2020 is the start of a new chapter in the energy sector. Strategy shifts by oil majors BP and Royal Dutch Shell set a new course for the energy sector
3. More energy and less carbon has emerged as the rally cry for the energy sector
4. A changing of the guard has occurred as renewable energy giant NextEra Energy overtakes Exxon and Chevron as the largest energy company by market cap
5. Mega trends of electrification and decarbonization expand energy sector to include renewable and power infrastructure i.e. solar and wind generation
6. Energy sector performance expected to decouple from oil prices going forward
7. Emerging energy technologies such as hydrogen, carbon capture, energy storage, EVs, residential solar have gained momentum through investment and increased disclosure provided by new public listings
8. We believe natural gas and renewables (solar and wind) offer the best near-term prospect of increasing energy while lowering carbon dioxide emissions
9. Free cash flow yield has become the measuring stick as the energy sector embraces capital discipline and we expect that to continue
10. Energy sector comes in many flavors: value plays, high income opportunities, and growth stories

### Two ways to access the energy sector in 2021

**Pipeline infrastructure** - potentially offers investors high dividend and free cash flow yields relative to S&P 500. Fundamental disconnect as stock prices have declined by much larger percentages than corresponding company operating cash flows.

**Renewable infrastructure** - we expect steady annual growth as solar and wind generation gain global market share. Growth expected to come from offshore and onshore wind and solar power in North America, Europe, and Asia. Largest wind and solar operators in the U.S. are European listed companies that will become more recognizable in 2021 and beyond.

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