



Timely thematic topic:

Positive 3rd party outlooks on energy

We are extremely optimistic about the energy sector in 2021. We believe there are several tailwinds from both a macro and company-specific perspective. Vaccine distribution should lead to a reopening of the economy. This, combined with significant stimulus from the Biden administration and a likely infrastructure bill, should lead to a series of macro events including rising interest rates, higher inflation, a weakening dollar and a steeper yield curve. Assuming these events occur, the predominant thought on Wall Street is to rotate portfolios. Winners would seem to include value versus growth, cyclical versus defensives, small cap versus large cap and high dividends and high free cash flow yields versus not. We think that energy, and specifically midstream energy, checks a lot of those boxes. But don't just take it from us, hear from several well known names in asset management.

"Even as energy company executives cut estimates for long-term growth, near-term opportunities are increasing. The return to "normal" increases both industrial activity and mobility, and the price of West Texas Intermediate oil rises to \$65/bbl. Rig counts increase and energy high yield bonds rally soundly. **Energy stocks are among the best performers in 2021**". *Byron Wien and Joe Zidle Announce the Ten Surprises of 2021*

"Looking at the 2020s, we believe that similar **structural forces to those which drove commodities in the 2000s could be at play**." *Goldman Sachs 2021 Commodity Outlook: REVing up a structural bull market*

"**Energy Pipelines.**" *#1 Best Income Investment for the New Year, Barron's December 31, 2020*

"...leading some groups that have trailed the market for years, such as banks and energy, to move from laggards to leaders." *Bill Miller, 4Q2020 Market Letter, January 5, 2021*

"My **favorite market sector is the natural gas pipeline group**, with yields between 9% and 12% for investment grade stocks with certain tax advantages." *Bill Gross, January 2021 Investment Outlook: Little Bit Softer Now*

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