TortoiseEcofin QuickTake Podcast

August 15, 2022

Welcome to the TortoiseEcofin QuickTake podcast. Thank you for joining us as we provide timely updates on the market.

Good to be with you today, I am Quinn Kiley, Managing Director and energy Portfolio Manager at Tortoise and I am happy to host this week's QuickTake Podcast. Earnings season is wrapping up, so today I'll cover some recent updates. Long story short, the trend of strong earnings reports James covered last week continues. James went into great detail on the domestic and global status of low storage levels for crude oil and refined products and the risk of prices moving higher. Last week we saw the International Energy Agency increase its outlook for petroleum demand while OPEC+ lowered its expected growth forecast. Crude oil responded by reversing the negative price moves we saw the week prior. A weaker dollar and a general risk on bet in the market was a more likely cause of the move higher but the demand announcements serve as a reminder that the world needs more petroleum and that could support higher prices for longer. In an announcement that reminds us that the needed supply to meet higher demand can be tenuous, Shell stated that three of its producing platforms in the Gulf of Mexico are shut in due to a detected leak in the pipeline system that brings their produced crude to U.S. refiners. Flows were to restart over the weekend. All of this news, in addition to James' comments from last week suggest to us that crude oil prices will continue to be volatile.

Last week lower inflation readings for July pushed markets higher as an expectation of a more dovish Federal Reserve moved into consensus.

- The Alerian MLP Index gained 5.5%, and the Index now sits up 26.8% for the year
- Other energy stocks, represented by the Energy Select Sector Index, were up 7.4% for the week
- In broader markets, the S&P 500 was up 3.1%, while the ten-year treasury yield was flat closing at 2.8%.

One of our biggest holdings and the largest U.S. exporter of liquefied natural gas, Cheniere Energy, reported second quarter results last week. As is becoming ordinary course, the company announced better than expected results amid higher global LNG prices. As Rob highlighted in a previous podcast, Cheniere continues to build out its growth story and given the quarter they reported they are executing on their existing business as well. Staying within the LNG sector, Excelerate Energy reported an in-line quarter, plans to build a new floating regasification unit, and the timing of their initial dividend. Finally, Golar LNG announced a blowout quarter as well, beating consensus EBITDA by more than twenty percent. The announcements from these LNG companies were well received by the market as the names moved higher on the week.

OneOK also announced earnings last week, and I think it is safe to say the report surprised to the upside. OKE had announced earlier this summer a fire at its Medford facility leading the street to expect weaker guidance for the second half of 2022. The surprise was a second quarter beat, maintaining full year financial guidance and pointing to leverage falling below four times by year end. The macro set up for the energy industry is so strong at this point that even when the market expects bad news, it gets good news.

In other energy news, a fire at Cuba's largest fuel depot was extinguished after burning for almost a week. The fire has resulted in lines at gas stations and rolling blackouts across the country. Finally for last week, Congress passed the Inflation Reduction Act and the President is expected to sign it into law in the coming days. The bill purports to lower the cost of electricity to consumers over time through a series of incentives to increase energy efficiency, electric vehicle adoption and renewable energy production growth. The costs of the bill are offset by a new minimum corporate tax for companies with earnings over one billion dollars and a one percent tax on share buybacks. If projections are accurate, the bill could reduce the budget deficit by $300 billion. Next week second quarter earnings season continues and we will have more updates on what has already been a block buster first half of 2022 for the energy industry. Until next week, thanks for listening and stay safe.

Thank you for joining us. And stay tuned for our next episode. Have topics you want covered or other feedback to share? Write us at info@tortoiseecofin.com.

The S&P 500® Index is a market-value weighted index of equity securities.

The **Alerian Midstream Energy Index®** is a broad-based composite of North American energy infrastructure. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

The **PCE inflation rate** is the Personal Consumption Expenditures Price Index. It measures price changes for household goods and services. Increases in the PCEPI warn of inflation while decreases indicate deflation.

Broad Energy = The S&P Energy Select Sector® Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products.

Producers = Tortoise North American Oil & Gas Producers Index℠
The Tortoise North American Oil & Gas Producers Index℠ is a float-adjusted, capitalization weighted index of North American energy companies primarily engaged in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The index includes exploration and production companies structured as corporations, limited liability companies and master limited partnerships but excludes United States royalty trusts.

MLPs = The Tortoise MLP Index® is a float-adjusted, capitalization weighted index of energy master limited partnerships (MLPs). The index is comprised of publicly traded companies organized in the form of limited partnerships or limited liability companies engaged in transportation, production, processing and/or storage of energy commodities.

The indices are the exclusive property of TIS Advisors, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) ("S&P Dow Jones Indices") to calculate and maintain the Tortoise MLP Index®, Tortoise North American Pipeline Index℠ and Tortoise North American Oil and Gas Producers Index℠ (each an "Index"). S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and, these trademarks have been licensed to S&P Dow Jones Indices. "Calculated by S&P Dow Jones Indices" and its related stylized mark(s) have been licensed for use by TIS Advisors and its affiliates. Neither S&P Dow Jones Indices, SPFS, Dow Jones nor any of their affiliates sponsor and promote the Index and none shall be liable for any errors or omissions in calculating the Index.

Disclaimer: *Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors are meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Through our family of registered investment advisers, we provide investment advice to related funds and others that includes investment into those sectors or companies discussed in these podcasts. As a result, we stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.*