Consider the merits of midstream energy when tax-loss harvesting

Key Facts:

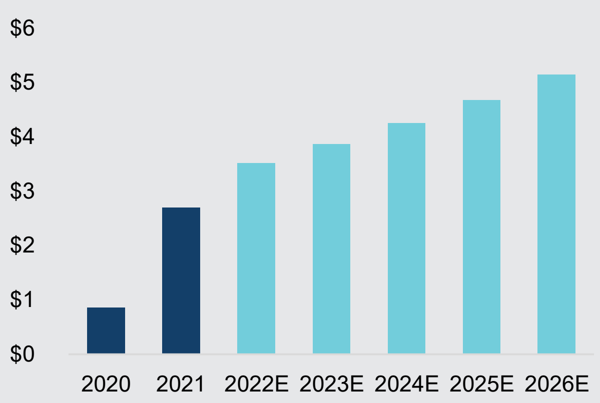
- **Virtually every midstream company is transitioning to positive free cash flow after dividends**
- **Midstream companies* had $2.7 billion in shares repurchased in 2021 with $3.5 billion expected in 2022**
- **This stark change is due to rapidly declining CapEx**

What has changed?

Midstream is now not only free cash flow (FCF) positive, but materially so, especially compared to other asset classes. Capital allocation decisions changed following several years of poor shareholder returns:

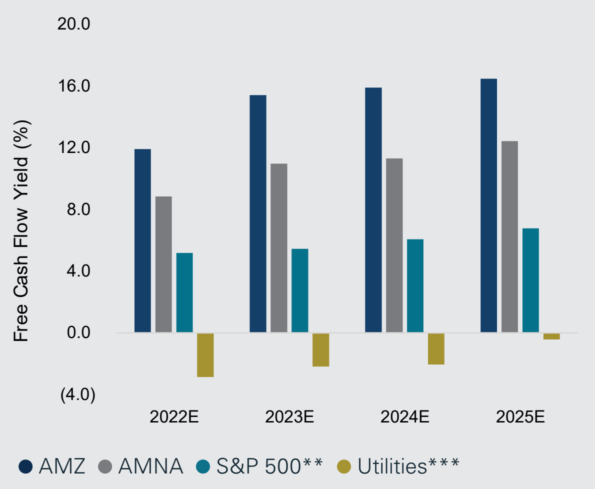
- First priority to set lower leverage target and pay-down debt, largely achieved in 2021
- Boards authorized significant share buybacks near end of 2020

Share buybacks



Source: TCA, Bloomberg, Company Press Releases. Projections on this page are no guarantee of future outcomes. It is not possible to invest directly in an index.

Free cash flow yields



As of 9/30/2022. Sources: Bloomberg, TCA.
Reflects TCA views and opinions as of date herein which are subject to change at any time based on market and other conditions.

Projections shown are based on Tortoise's views and consensus estimates, are subject to change and there is no guarantee of future outcomes.

*Midstream represented by the The Alerian Midstream Energy Index **S&P 500 Index estimates exclude Financials and Real Estate; ***Utilities represented by S&P Utilities Select Sector Index.

What will companies do with the free cash flow?

Pay distributions; pay down debt; buy back stock; or a combination of all three.

How could the midstream energy sector benefit?

While we believe dividend yields to continue to be paid out, we advocate and push companies to utilize stock buybacks as a more appealing use of capital, versus building or acquiring new assets, and help turn the tide on stock performance. The numbers demonstrate they can achieve this while still reducing leverage in a meaningful way.

We believe companies buying back stock can create their own flows and offset outflows that have taken place of late. It would likely do far more than that - it could lead to positive flows into the sector, reversing the downside witnessed in recent years.

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All investment involves risk including the loss of principal. Investments where there is a concentration in a certain sector may be subject to greater risk and volatility than one which invest more broadly.

This commentary contains certain forward-looking statements. These forward-looking statements include all statements regarding the intent, belief or current expectations regarding matters covered and all statements which are not statements of historical fact. The forward-looking statements involve known and unknown risk, uncertainties, contingencies and other factors, many of which are beyond our control. Since these factors can cause results, performance and achievements to differ materially from those discussed in the presentation, you are cautioned not to place undue reliance on the forward-looking statements.

Capital expenditures (CapEx): funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

Free cash flow (FCF): is the cash a company produces through its operations, less the cost of total capital expenditures (growth and maintenance).

Free cash flow yield: is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price.

Index Definitions: The Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies. 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 (AMNA), total-return (AMNAX), net total-return (AMNAN), and adjusted net total-return (AMNTR) basis.

The S&P 500® Index is an unmanaged, market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

The S&P Energy Select Sector Index is a modified market capitalization-based index of S&P 500 companies in the energy sector that develop and produce crude oil and natural gas and provide drilling and other energy related services. Returns include reinvested dividends.

The S&P Utilities Select Sector Index is a modified capitalization-weighted index. The Index is intended to track the movements of companies that are constituents of the S&P 500 in the utility sector (as defined by the Global Industry Classification Standard).

It is not possible to invest directly in an index. Past performance is no guarantee of future results.

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