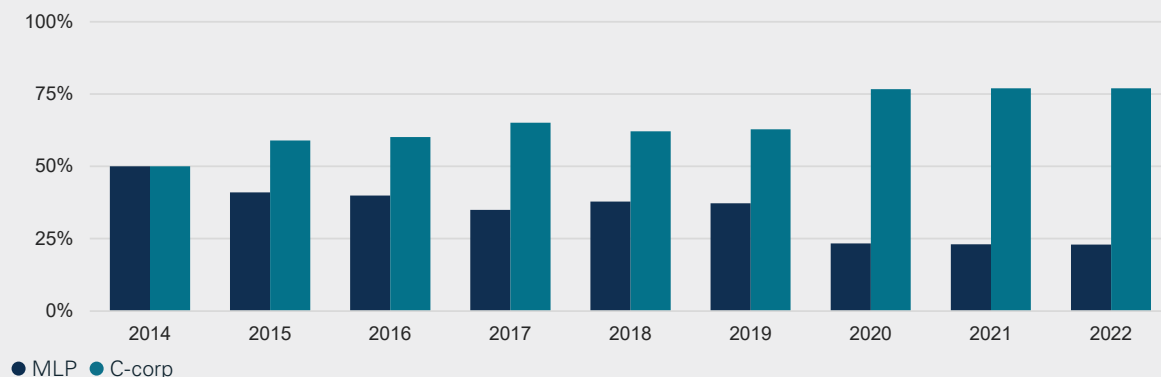


# Choosing the right index for midstream energy

The midstream energy sector has undergone major changes in recent years and it's become increasingly difficult to achieve a passive diversified MLP-only portfolio. At the end of 2022, MLPs only represent approximately 23% of the total midstream market cap. Sector dynamics shifted as many simplifications/mergers occurred, sources of capital changed, and tax changes went into effect (both broad and industry specific) and regulations continue to evolve.

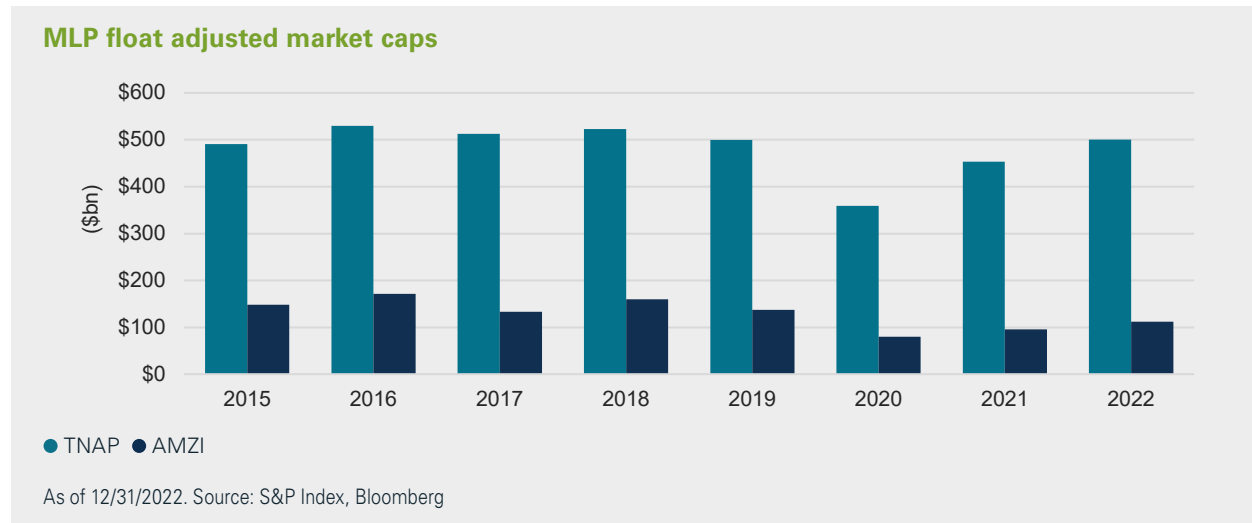
Midstream energy companies can be structured one of two ways: as a Master Limited Partnership (MLP) with no corporate tax, or as a C-Corp, a traditional taxable corporation. At Tortoise, we're firm believers in the fundamentals of pipeline companies, regardless of the corporate structure. We think that an all-inclusive pipeline index may more accurately represent the risk/return profile that investors are looking for.

**In 2014, MLPs represented approximately 50% of the pipeline universe. Today, however, MLPs comprise 23% of the pipeline universe**



As of 12/31/2022. Float-adjusted market capitalization. Source: Bloomberg

While MLPs have become synonymous with midstream energy, the pipeline universe is much broader. At the end of 2022, Alerian MLP Infrastructure Index (AMZI) constituents, which consists of midstream MLPs, had a market cap of \$210 billion and a float adjusted market cap of only \$112 billion. The Tortoise North American Pipeline Index<sup>SM</sup> (TNAP), which consists of MLPs and c-corps had a market cap of \$624 billion and a float adjusted market cap of \$501 billion.



The table below highlights key characteristics between AMZI and TNAP indices.

Index	TNAPT	AMZI
Market Cap	\$624 billion	\$210 billion
Float Adjusted Market Cap	\$501 billion	\$112 billion
Constituents	48	15
Top 10 Constituents	59%	88%

A quick assessment of the liquidity of the MLP asset class can further emphasize the relative size of the space in 2022. Based on existing AMZI constituents, and assuming 25% of volume is reasonable, approximately \$28 million is tradeable in a single day based on the liquidity of the individual AMZI constituents. With more than \$10 billion in passively managed MLP products there is significant potential risk and enhanced volatility since even only 2-3% of the money coming out could very easily create a liquidity event.

There is more to midstream energy investing than just MLPs, and TNAP is our representation of the complete midstream universe. With 48 names in TNAP compared to only 15 names in the AMZI, investing in the broad midstream sector can provide a more diversified portfolio with less concentrated exposure and more market cap.

In addition to the benefits provided by a larger and more diversified universe, midstream indices with a broader strategy have historically provided better returns, lower volatility and thus better risk-adjusted returns.

### TNAPT vs. AMZIX - Indexed 5-year total returns



As of 12/31/2021. Source: S&P Index, Bloomberg

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

	TNAPT	AMZIX
<b>Returns</b>		
10-Year	7.0%	2.1%
5-Year	6.9%	3.6%
3-Year	7.9%	8.3%
1-Year	16.9%	31.4%
<b>Std. Deviation</b>		
10-Year	21.3%	30.8%
5-Year	26.5%	39.6%
3-Year	31.2%	48.2%
1-Year	24.3%	28.2%
<b>Sharpe Ratio</b>		
10-Year	0.39	0.21
5-Year	0.35	0.27
3-Year	0.39	0.41
1-year	0.71	1.07

While current valuations and strong market fundamentals are attracting investors into the midstream space, we think it's important to pay attention to the changing dynamics and how it might affect indices and the passive products that track them. A product with broader midstream exposure has historically provided investors greater diversification, lower volatility and higher total and risk-adjusted returns.

## Disclosures

**The characteristics provided for the index are illustrative of the characteristics of an asset class and are not indicative of the performance of any investment product. The historical data of the index prior to its inception date was calculated on the same basis on which the index is currently calculated. Past characteristics are no guarantee of future results. It is not possible to invest directly in an index.**

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The Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX). The Alerian MLP Infrastructure Index is a composite of energy infrastructure Master Limited Partnerships (MLPs). 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 (AMZI) and on a total-return basis (AMZIX). Energy Select Sector SPDR Fund (XLE) tracks a market-cap-weighted index of US energy companies in the S&P 500. 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.

For additional information on TNAP, please call 844-TR-INDEX (844-874-6339) or visit [www.TortoiseEcofin.com](http://www.TortoiseEcofin.com).  
For more information on AMZ or AMZI, visit [www.alerian.com](http://www.alerian.com).

It is not possible to invest directly in an index.