

May 7, 2024

Welcome to the Tortoise QuickTake podcast. I'm Brian Kessens, senior portfolio manager and managing director. Thank you for joining us as we provide timely updates on the market.

Let's begin with recent performance. After the strong first quarter, energy beat the S&P 500's down 4% in April. The broader S&P Energy Select Sector Index® finished down just less than 1%, Exploration and production companies, as measured by the S&P Oil & Gas Exploration and Production Select Sector Index were off just over 2%, and finally midstream, as measured by the Tortoise MLP Index was down half of 1%. All the while, crude oil slipped \$1 per barrel, with natural gas improving to just over \$2 per mmbtu, ending at \$2.03 after being below \$2 for the better part of the first quarter. Producer natural gas curtailments of 2 Bcf/d are starting to make an impact.

A lot of first quarter earnings announcements the past two weeks. What have we learned? Producers continue to favor strong balance sheets and returning capital through dividends and share buybacks. They also demonstrated discipline on capex and production guidance. Natural gas producers, most notably EQT and Chesapeake, even extended curtailed production to better balance supply and demand, aiming to shrink inventories to more normal levels. Helping keep capex in check, drilling and completion efficiency gains from longer laterals, simultaneous fracs, and equipment high-grading are the gift that keeps on giving toward strong well productivity. And with an eye toward M&A, many are feeling more comfortable with it after the FTC gave the go-ahead for Exxon to acquire Pioneer Natural Resources last week.

Midstream companies seemingly did a good job calibrating 1Q weather events because results consistently were to the high end of expectations. Notably, natural gas storage infrastructure benefited from volatile prices and the fact that new storage has not kept pace with growing production. There should continue to be a good opportunity to improve long-term contracts while adding storage in selective locations. On 2024 guidance, outside of Oneok, taking up annual outlooks didn't get any takes as many noted it's still too early in the year yet. Capex budgets were generally maintained, with a handful of new projects announced that were already in original guidance. The projects are focused on expanding Permian natural gas and NGL infrastructure. Share buybacks have been strong so far, eclipsing \$1.5 billion, though to be fair \$1.2 billion came from LNG leader Cheniere Energy alone.

In downstream, refiners experienced softer margins yet see resilient gasoline demand and still managed to return significant capital to shareholders via the dividend and share repurchases. The three largest refiners alone bought back nearly \$4.5 billion in shares. Utilities consistently beat in 1Q despite unfavorable weather (remember it was warm). The reason was non-heating demand was strong. Most reaffirmed 2024 guidance, with Artificial Intelligence driven data center expected power needs the key discussion item.

On that note, James introduced Artificial Intelligence and its role in energy on last month's podcast, and AI remains topical. I suspect when a word cloud is computed at the end of earnings season for all energy companies, AI will top the list. That's because new data centers require an enormous amount of power, three times more than existing data centers due to better chip technology. And globally, we're adding a new data center every three days. If just 40% of the new US power demand in 2030 is met by natural gas generation, we'll need an estimated 6-8 Bcf/d of additional natural gas, or 8% more than 2023 domestic natural gas demand. And that number may be conservative given data centers' constant, 24/7, 365 days per year requirements that renewables will struggle to meet given their intermittency issues. What makes it great for natural gas infrastructure, is that this is domestic, demand pull growth in natural gas, with high quality counterparties that need to make this happen now. Speed is really of essence given the first mover benefits and national security implications. It is clear AI will become a routine podcast topic as natural gas has a big role to play here given it is abundant, reliable and relatively cheap in the US.

Looking ahead this month, we'll finish up first quarter earnings results and then hit the conference circuit, when the Energy Infrastructure Council's annual conference will take place in the back half of May. Expect a lot of discussion around AI's impact on energy demand, capital allocation, and production growth. We're excited about what the future holds for each. Thanks for listening and putting your trust in us.

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.

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.

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.

Liquefied Natural Gas (LNG) is a natural gas that has been cooled to a liquid state for shipping and storage - the volume in this state is about 600 times smaller than in its gaseous state, able to transport for much longer distances when pipeline transport is not feasible.

The S&P Oil and Gas Exploration and Production Select Industry Index is comprised of stocks in the S&P Total Market Index that are classified in the Global Industry Classification Standard oil & gas exploration & production sub-industry.

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

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 IndexSM and Tortoise North American Oil and Gas Producers IndexSM (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.*