

Monthly Midstream Energy Market Report

October 2021

HANetf & Alerian

Alerian Midstream Energy Dividend UCITS ETF

MMLP

40bps

IE00BKPTXQ89

Product Inception Date: 27.07.20

For Professional Clients Only. Capital at risk.

All data as of 30.09.21

This report was written by and is the opinion of the AEDW's index provider Alerian.

Key Takeaways

- At the end of September, the underlying index for the Alerian Midstream Energy Dividend UCITS ETF (MMLP), AEDW, was yielding 7.18%. Notably, investment-grade companies represented 84.18% of the index by weighting. Midstream continues to trade at a discount to historical averages. At month end, AEDW was trading at 9.97x 2022 EBITDA estimates per Bloomberg, relative to a historical (ten-year) average EV/EBITDA multiple for midstream of ~12x.¹
- Natural gas prices have recently reached seven-year highs in the US and record highs in Europe and Asia, highlighting the importance of the fuel in the global energy mix and the critical nature of natural gas energy infrastructure. Approximately two-thirds of the AEDW Index by weighting is primarily focused on infrastructure servicing natural gas. Oil prices were also strong in September, with US benchmark oil prices gaining nearly 10% for the month.²
- On a net total return basis, AEDW gained 2.67% in September as commodity price strength boosted energy sentiment despite weakness in broader equities. Inter Pipeline (IPL) was removed from the index due to its imminent acquisition.³
- Index constituents continued to make strides with ESG efforts and energy transition opportunities in September. **Enbridge (ENB)** held its inaugural ESG day and announced the formation of a New Energies Team to advance low-carbon opportunities. **Williams (WMB)** has entered an agreement with Orsted A/S⁴ (DNNGY, not in AEDW) to identify ways to co-develop hydrogen or synthetic natural gas facilities powered by renewable energy. **ONEOK (OKE)** is targeting a 30% reduction to its greenhouse gas emissions by 2030.⁵ relative to 2019 levels. **Enterprise Products Partners (EPD)** is partnering with Chevron (CVX, not in AEDW) to study carbon capture, utilization, and storage opportunities in the US. **Kinder Morgan (KMI)** and Neste (NESTE, not in AEDW) are developing a renewable fuel⁶ hub in Louisiana.
- While income remains attractive with yields currently above 7%, midstream continues to offer a compelling total return opportunity given an improving macro energy backdrop and several buyback authorisations among index constituents. **Williams (WMB)** announced a \$1.5 billion buyback authorization⁷ this month. Including WMB, as of the end of September, 57.5% of AEDW by weighting has a buyback authorization in place. For more information on buyback programs in midstream, please see this [Alerian note](#). Please note that all performance figures are showing net data.

¹https://www.alerian.com/wp-content/uploads/Income-Newsletter-October-2021.pdf?cf_chl_jschl_tk_=pmd_DQKeW3VRzrBDvKQe8pp0maJs7yjqNLb2uGfasKz_IQE-1634111609-0-ggNtZGzNAnujcnBszQi9

² https://www.dailyfx.com/forex/market_alert/2021/09/28/Brent-Crude-Oil-Soars-to-a-Three-Year-High-on-Supply-Demand-Mis-Match-.html

³https://mma.prnewswire.com/media/1608576/Inter_Pipeline_Ltd_Brookfield_Infrastructure_and_Inter_Pipeline.pdf?p=original

⁴<https://investor.williams.com/press-releases/press-release-details/2021/rsted-and-Williams-join-forces-to-explore-clean-energy-opportunities-in-the-US/default.aspx>

⁵https://mma.prnewswire.com/media/1608576/Inter_Pipeline_Ltd_Brookfield_Infrastructure_and_Inter_Pipeline.pdf?p=original

⁶<https://ir.kindermorgan.com/news/news-details/2021/Kinder-Morgan-and-Neste-Partner-on-Major-Renewable-Fuels-Logistics-Project-in-the-United-States/default.aspx>

⁷<https://investor.williams.com/press-releases/press-release-details/2021/Williams-Announces-1.5-Billion-Share-Repurchase-Program/default.aspx>

Macro Outlook

Rising global energy prices have served as a poignant reminder of the importance of fossil fuels in today's energy mix. The constituents in AEDW operate critical infrastructure for meeting energy demand in North America but also overseas through exports. Midstream companies continue to generate steady cash flows from these essential assets operated under a fee-based business model. With inflation increasingly in focus, it is important to note that midstream contracts often have inflation adjustments built into the agreements. Additionally, energy prices tend to increase in an inflationary environment, which can improve sentiment for energy companies. Even though today's price environment has highlighted the importance of fossil fuels, energy infrastructure companies continue to pursue opportunities in carbon capture, renewable fuels, renewable natural gas, hydrogen, and other areas related to the energy transition.

Combining stable cash flows with a stepdown in capital spending, companies are generating meaningful free cash flow. In many cases, midstream names are using excess cash flow to reduce debt – sometimes in parallel with buyback programs. Fifteen AEDW constituents, representing 57.5% of the index by weighting, have buyback authorisations in place. The improving outlook for energy broadly, discounted valuations relative to historical averages, and emphasis on shareholder-friendly returns makes for a compelling total return opportunity for investors.⁸

MMLP Performance Table

As of 30.09.21

| | 1M | 3M | 6M | YTD | 12M | SI |
|--|--------------|---------------|---------------|---------------|---------------|---------------|
| Alerian Midstream Energy Dividend UCITS ETF | 2.65% | -3.74% | 11.63% | 35.23% | 65.08% | 51.09% |
| <i>Alerian Midstream Energy Dividend Index (NTR)</i> | <i>2.67%</i> | <i>-3.90%</i> | <i>11.20%</i> | <i>34.34%</i> | <i>63.5%</i> | <i>48.46%</i> |

All performance figures are on a total-return basis. Source: Bloomberg / HANetf. Data as of 30/09/2021

Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. **Please note that all performance figures are showing net data.**

Product Details

The Alerian Midstream Energy Dividend UCITS ETF (MMLP) is a UCITS compliant Exchange Traded Fund domiciled in Ireland.

The fund seeks to provide diversified exposure to energy companies involved in the processing, transportation and storage of oil, natural gas and natural gas liquids in the US and Canadian markets and includes MLPs and C-corps.

It is the first UCITS ETF to provide exposure to the energy infrastructure sector via an Alerian index. By employing a synthetic strategy, MMLP enables efficient replication of the index.

Please remember that the value of your investment may go down as well as up and past performance is no indication of future performance.

Visit the [MMLP Fund Page](#) for more information.

⁸ https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf

| Exchange | BBG Code | RIC | ISIN | Valoren | SEDOL | Currency | TER |
|-----------------------|----------|---------|--------------|---------|---------|----------|-------|
| London Stock Exchange | MMLP LN | MMLP.L | IE00BKPTXQ89 | - | BMVFZ02 | USD | 0.40% |
| London Stock Exchange | PMLP LN | PMLP.L | IE00BKPTXQ89 | - | BL96TT7 | GBP | 0.40% |
| Borsa Italiana | MMLP IM | MMLP.MI | IE00BKPTXQ89 | - | BMHVZQ0 | EUR | 0.40% |
| Deutsche Boerse Xetra | JMLP GY | JMLP.DE | IE00BKPTXQ89 | - | BMHVZP9 | EUR | 0.40% |

Important Information

This report was written by, and is the opinion of Alerian, the index provider or the Alerian Midstream Energy Dividend Index, the underlying index of MMLP. Alerian does not issue, sponsor, endorse, sell, or promote MMLP.

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