

Monthly Midstream Energy Market Report

August 2022

HANetf & VettaFi

Alerian Midstream Energy Dividend UCITS ETF

MMLP

40bps

IE00BKPTXQ89

Product Inception Date: 27/07/2020

For Professional Clients Only. Capital at risk.

All data as of 31/07/2022

This report was written by, and is the opinion of, the AEDW Index provider VettaFi.

Key Takeaways

- At the end of July, the underlying index for the Alerian Midstream Energy Dividend UCITS ETF (MMLP), AEDW, was yielding 6.66%. AEDW was trading at 10.05x 2023 EBITDA estimates per Bloomberg – a discount to the historical (ten-year) average EV/EBITDA multiple for midstream of ~12x.
- Energy infrastructure companies rebounded in July as broader equity markets improved, US natural gas prices jumped, and a handful of companies announced positive results to start earnings season.¹
- On a net total-return basis, AEDW gained 10.10% in July, handily outperforming the 4.93% total return for the Stoxx Europe 600 Oil and Gas Index (SXEP) and also outperforming the 9.53% total return for the Energy Select Sector Index (IXE). US benchmark natural gas prices increased 51.2% in July to notch their second-largest monthly gain on record as extreme heat increased natural gas demand for power generation. WTI oil prices fell -6.75% for the month.²
- Year-to-date through the end of July, AEDW is up 21.09% on a net total return basis, outperforming the 17.91% total return for the SXEP. Energy has remained a bright spot in a challenging market.³
- Dividend trends remain positive for energy infrastructure companies. In July, **Energy Transfer (ET)** announced a 15.0% increase to its distribution, and **Enterprise Products Partners (EPD)** announced a 2.2% increase to its distribution.⁴ Both names were top five constituents of AMEI at the end of the month. Additionally, **DCP Midstream (DCP)** increased its distribution by 10.3%. There were no cuts among AMEI constituents.⁵
- Earnings season allowed companies to highlight their strong free cash flow generation and continued buyback activity. **Kinder Morgan (KMI)** reported 2Q22 results ahead of consensus estimates, raised 2022 EBITDA guidance by 5%, and stepped up buyback activity, having repurchased \$275 million in shares year-to-date through July 21 after no buybacks in 2021.⁶ **Magellan Midstream Partners (MMP)** reiterated 2022 guidance and completed \$190 million in buybacks in 2Q22.⁷

Please note that all performance figures are showing net data. Past performance is not a guarantee of future performance and when you invest in ETFs, your capital is at risk.

¹ Source: Bloomberg / VettaFi.

² Source: Bloomberg / VettaFi.

³ Source: Bloomberg / VettaFi.

⁴ <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-announces-increase-quarterly-cash-distribution-1>; <https://www.enterpriseproducts.com/investors/news-releases>.

⁵ <https://dcpmidstream.gcs-web.com/news-releases/news-release-details/dcp-midstream-announces-increase-common-unit-distribution>

⁶ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1506307/000150630722000083/kmi-20220630.htm>

⁷ <https://www.magellanlp.com/magellannews.aspx?id=E4FA6B68-37A0-4878-AAD8-08507F2CE919>

Macro Outlook

Energy infrastructure equities rebounded in July as the focus shifted to 2Q22 dividend announcements and earnings results. For the fourth straight quarter, there were no dividend cuts among AEDW constituents. Most names maintained their payouts, though there were a few notable increases as discussed above. Earnings season continues into August, but initial results from midstream companies have been solid, supported by the strong macro backdrop during the quarter and continued operational execution.

We believe energy infrastructure companies have provided attractive income, while buybacks fuelled by significant free cash flow generation represent another tailwind. Though recession concerns may continue to weigh on oil prices and energy stocks, midstream provides more defensive energy exposure by nature of its fee-based business model and would be expected to hold up better in a recession relative to other subsectors of energy.⁸

Commented [CU1]: Add 'will' or 'have'?

Commented [JC2R1]: Amended, thanks.

Midstream Energy Performance

As of 31.07.22

	1M	3M	6M	YTD	12M	2Y	3Y	SI
Alerian Midstream Energy Dividend UCITS ETF	10.14%	2.48%	10.27%	21.50%	22.20%	79.04%	19.00%	83.44%
Alerian Midstream Energy Dividend Index (NTR)	10.10%	2.33%	9.97%	21.09%	21.49%	79.02%	18.65%	79.90%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/07/2022. Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. 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. When you invest in ETFs and ETCs, your capital is at risk.

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

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.

⁸Source: Bloomberg / VettaFi.

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%

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 - the carbon securities ETCs under the terms in the base prospectus approved by the UK Financial Conduct Authority ("FCA") and the relevant final terms of the carbon securities (together, "FCA Carbon ETC Prospectus"); and
 - the carbon securities ETCs under the terms in the base prospectus approved by the Central Bank of Ireland ("CBI") and the final terms of the carbon securities (together, "CBI Carbon ETC Prospectus").

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The ETF Prospectus, Metals ETC Prospectus, FCA Carbon ETC Prospectus, CBI Carbon ETC Prospectus and Cryptocurrency Prospectus can all be downloaded from www.hanetf.com.

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