

Monthly Midstream Energy Market Report

August 2020

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 performance data displayed is based on the index. There is no provision of actual ETF fund performance data as the fund is less than 12 months old.

This report was written by, and is the opinion of, the MMLP fund partners Alerian.

Key Takeaways

- While 2Q earnings results for midstream have been mixed thus far, dividends have been steady with over 95% of MMLP's underlying index by weighting maintaining dividends at the same level as the prior quarter.
- The underlying index for The Alerian Midstream Energy Dividend UCITS ETF (MMLP) has outperformed broader energy year-to-date supported by fee-based cash flows and generous income.
- The purchase of natural gas infrastructure assets by Warren Buffett's Berkshire Hathaway in a nearly \$10 billion deal helps highlight the value of North American midstream.
- With 2Q representing the brunt of COVID-19 impacts on energy markets, a recovery in demand and production trends should support midstream improvements into 3Q.

Alerian Midstream Energy Dividend Index Performance

July*	12 Month**
-1.01%	-33.72%

Past performance is no guarantee of future performance.

Figures based off LBMA PM Gold Price
Source: Alerian

*July figures based on 01.07.20 – 31.07.20

**12 Month figures based on 30.06.19 - 31.07.20

Dividend Yield

	July*
AEDW	11.13%

Current performance is no guarantee of future performance

Index yield annualizes the most recent dividend announcement for each constituent and takes into account current index weightings.

*July figure based on 31.07.20

Source: Alerian

Performance Review

- July: AEDW -1.01%
- WTI oil prices rose 2.55% in July but are down -34.05% YTD through July 31.

Yield

The current yield for AEDW is 11.13%*, which is elevated relative to the five-year average of 7.35%.

What Has Driven This Performance?

Though midstream has improved from its March 2020 record lows, weak equity performance year-to-date continues to reflect the demand headwinds from COVID-19 on energy and uncertainty around the pace of recovery. However, the fee-based nature of midstream and generous income has supported AEDW's outperformance relative to broader energy as represented by the IXE comparison above. Earnings results for 2Q from some large names have reinforced the advantages of the midstream business model, namely the durability of fee-based cash flows in volatile markets. The space continues to screen attractively based on forward EV/EBITDA multiples, with AEDW trading at 9.3x consensus 2021 EBITDA estimates based on a weighted average compared to a historical (ten-year) average multiple for midstream of ~12x. With macro headwinds and uncertainty persisting, midstream is expected to continue to provide more defensive energy exposure, particularly relative to energy sectors that are more dependent on commodity prices.

Current/past performance is no guarantee of future performance

*as of 31.07.20

Source of all data: Alerian, Bloomberg

Alerian Midstream Energy Dividend Index (NTR) and MLP ETF Performance

Total Return NAV to Date (up to 31/07/2020)

	1M	3M	6M	YTD	12M	Since Inception
Alerian Midstream Energy Dividend UCITS ETF	0.77%	-	-	0.77%	-	0.77%
Alerian Midstream Energy Dividend Index (NTR)	-1.01%	-0.70%	-29.67%	-33.25%	-33.72%	-

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. Source: Alerian. Data as of 31/07/20

Industry News

Earnings season mixed thus far in challenging quarter. Energy earnings season kicked off in late July with some of the larger midstream names reporting. The second quarter represented the brunt of COVID-19 impacts on energy markets in terms of weakened demand and reduced production, as US and Canadian producers shut in wells in response to weak oil prices. Thus far, results have been mixed relative to consensus estimates. However, outlooks have been mostly steady.

Dividends largely stable. After several smaller names cut their dividends earlier this year, AEDW constituents have largely maintained their payouts for 2Q (i.e. dividends paid in 3Q). Of AEDW’s 31 constituents, 28 companies representing 96.59% of the index by weighting as of the July rebalancing have maintained their dividends. One constituent, Cheniere Energy Partners (CQP), raised its distribution. As of July 31, two names had yet to announce their dividends.

Pipelines make headlines in July with Buffett acquisition and regulatory headwinds. Warren Buffett’s Berkshire Hathaway is purchasing the natural gas infrastructure assets of utility Dominion (D) in a nearly \$10 billion deal. The purchase by a renowned investor highlights the attractiveness of North American energy infrastructure and the steady cash flows generated by these assets. On a more negative note, Dominion cancelled its Atlantic Coast Pipeline project, which has faced regulatory headwinds as well as escalating costs and delays. The cancellation and challenges for newbuild pipelines in certain areas reinforce the value of existing pipelines. Also on the regulatory front, the Dakota Access Pipeline is the subject of an ongoing court case, which could require the pipeline to shut down as an environmental study is completed. AEDW constituents Energy Transfer, Phillips 66 Partners, MPLX, and Enbridge have ownership interests in the pipeline.

Outlook

Several weeks of relative stability in oil prices has put the energy space on firmer footing, with US and Canadian producers restoring production that had been shut-in when prices collapsed in 2Q. Returning production volumes and improving demand should lead to sequential improvement in financial performance for midstream in 3Q. While macro headwinds persist, dividend stability and consistency in company outlooks for the balance of 2020 are reassuring for midstream investors. Earnings announcements and accompanying outlooks will remain in focus into August, but as summer expires, attention will increasingly shift to the upcoming US election in November.

Constituent News

Enterprise Products Partners (EPD) announced 2Q results on July 29,¹ exceeding analyst expectations, as positive results in storage and marketing helped offset weaker results from natural gas gathering and processing as well as petrochemicals. EPD highlighted the durability of its fee-based business model as well as its diversification and integration as advantages in an uncertain market environment.

TC Energy (TRP.CN) reiterated plans to grow its dividend by 8-10% in 2021 and 5-7% thereafter with its 2Q earnings update.² The company continues to progress a suite of growth projects representing a \$37 billion investment opportunity, including \$5 billion in projects targeted to be completed this year. Approximately 95% of TRP.CN's EBITDA stems from regulated assets or those with long-term contracts, which helps insulate the company from the current volatility in energy markets.

Enbridge Inc (ENB.CN) reported 2Q results ahead of analyst expectations and reiterated prior financial guidance for the year, highlighting strong contracts and a quality customer base with 95% investment-grade rated. ENB has \$11 billion of projects underway.³

MMLP News

MMLP listed on **London Stock Exchange** on 30th July 2020

Our MLP ETF will list on **Deutsche Boerse** and **Borsa Italiana** on 6th August 2020

The Alerian Midstream Energy Dividend Index **rebalanced in July**. There were no changes to underlying constituents.

Webinars

Register to our upcoming webinars:

- ETF Strategy Webinar "[Introducing The Alerian Midstream Energy Dividend ETF](#)" on August 13th 2020
- HANetf Webinar "[Introducing The Alerian Midstream Energy Dividend ETF - MMLP](#)" on August 18th 2020

View our latest webinars here: www.hanetf.com/webinar

[Proactive Investors Interview](#)

Press

[Alerian makes European UCITS debut on LSE with Midstream Energy ETF](#)

[World's Leading Energy Infrastructure and Master Limited Partnership \(MLP\) Index Provider, Alerian, makes European UCITS ETF debut on HANetf platform](#)

View our recent press coverage here: www.hanetf.com/press-releases

MMLP Documents

- [MMLP Factsheet](#)
- [MMLP Fund Page](#)
- [Points of Difference versus UK-listed ETPs](#)
- [Points of Difference versus US-listed ETPs](#)
- [An Introduction to Midstream Energy Infrastructure](#)
- [Understanding the Pipeline Business](#)
- [Midstream Energy: An Investment Case](#)

¹ <https://www.enterpriseproducts.com/investors/news-releases> July 29, 2020

² <https://www.tcenergy.com/siteassets/pdfs/investors/events/2020/2020-q2-results/tc-energy---2020-q2-results-presentation.pdf> July 30, 2020

³ https://www.enbridge.com/~/_media/Enb/Documents/Investor%20Relations/2020/2020_Q2_ENB_Earnings_Presentation.pdf July 29, 2020

Product Details

The Alerian Midstream Energy Dividend UCITS ETF (MMLP) is a UCITS compliant Exchange Traded Fund domiciled in Ireland. Due to list in July and August.

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.

Exchange	Bloomberg Code	RIC	ISIN	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%

About HANetf

HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors via unique white-label ETF/ETC platform.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

HANetf's full products list includes:

Name	TER	Bloomberg Codes				
		LSE \$	LSE £	Borsa €	XETRA €	SIX
The Emerging Markets Internet & Ecommerce UCITS ETF	0.86%	EMQQ LN	EMQP LN	EMQQ IM	EMQQ GY	EMQQ SW
HAN-GINS Tech Megatrend Equal Weight UCITS ETF	0.59%	ITEK LN	ITEP LN	ITEK IM	T3KE GY	ITEK SW
HAN-GINS Cloud Technology UCITS ETF	0.59%	SKYY LN	SKYP LN	SKYY IM	5XYE GY	SKYY SW
HAN-GINS Indxx Medical Innovation UCITS ETF	0.59%	WELL LN	WELP LN	WELL IM	W311 GY	WELL SW
KMEFIC FTSE Kuwait UCITS ETF	0.80%	KUW8 LN	KUWP LN	KUW8 IM	KUW8 GY	-
The Medical Cannabis & Wellness UCITS ETF	0.80%	CBDX LN	CBDP LN	-	CDSX GY	CBDX SW
The Royal Mint Physical Gold ETC	0.22%	RMAU LN	RMAP LN	-	RM8U GY	-
BTCEtc Bitcoin Exchange Traded Crypto*	2.00%	-	-	-	BTCE GY	-
The Alerian Midstream Energy Dividend UCITS ETF	0.40%	MMLP LN	PMLP LN	MMLP IM	JMLP DE	-

*Marketed and Distributed by HANetf

For further information, please visit www.hanetf.com



Stacey Morris

Director of Research, Alerian

Stacey Morris engages with the investment community to increase awareness of the Alerian Index Series and support broader understanding of the role that midstream assets play in North American energy markets. Ms. Morris was previously the Investor Relations Manager for Alon USA Energy, overseeing investor communications for the corporation and its variable distribution MLP, Alon USA Partners. Prior to Alon, she covered the integrated majors and refiners at Raymond James as a Senior Associate in the firm's Equity Research Division. Ms. Morris graduated summa cum laude with a Bachelor of Science in Business Administration from Stetson University and is a CFA charterholder.

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The Issuers

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2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing under the terms in the Base Prospectus approved by the Central Bank of Ireland and the final terms of the relevant series ("Issue Documentation") is the issuer of the precious metals ETCs. Investors should read the latest version of the Issue Documentation before investing and should refer to the section of the Base Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the Issue Documentation.

3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and the final terms ("Bitcoin Prospectus") is the issuer of the Bitcoin ETCs. Investors should read the latest version of the Bitcoin Prospectus before investing and should refer to the section of the Bitcoin Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Bitcoin ETCs. Any decision to invest should be based on the information contained in the Bitcoin Prospectus.

The Issue Documentation, ETF Prospectus and Bitcoin Prospectus can all be downloaded from www.hanetf.com.