Energy Infrastructure Review & Outlook

2Q 2023

EAGLE GLOBAL ADVISORS

Macro Environment

- The Federal Reserve raised the benchmark lending rate twice more during the quarter to its current range of 5.0%-5.25%. Inflation has showed meaningful signs of cooling although it remains above the Fed target of 2.0%.

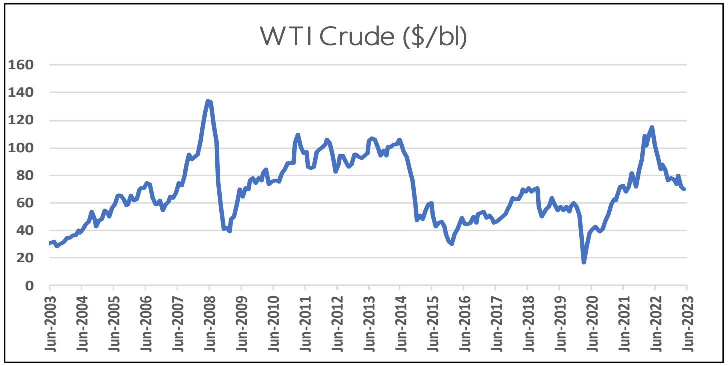
- OPEC+ announced a surprise production cut of 1.66 million barrels per day on April 2nd. In total OPEC+ has engineered 3.66 million barrels per day of cuts from the peak, representing 3.7% of global supply.

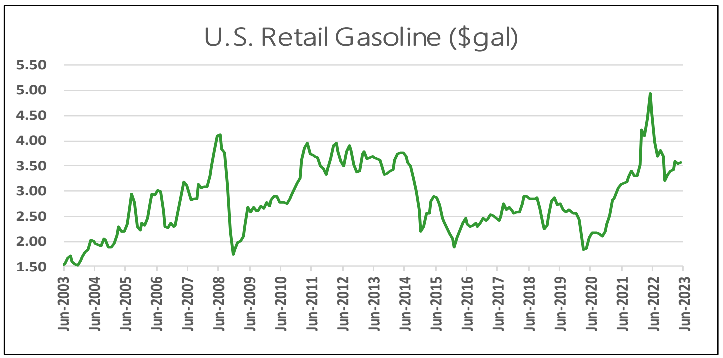
- Saudi Arabia and Russia announced further production cuts in July that in full could remove as much as 4.5 million barrels a day by the end of August.

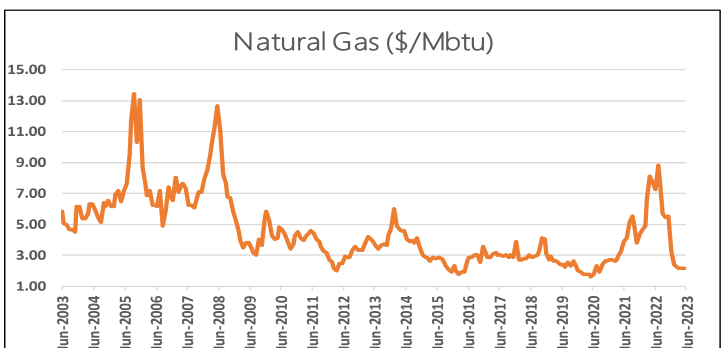
- Crude prices ended Q2 at $70.64, almost where they started. Lower OPEC+ supply was offset by recessionary fears as global rate tightening continued.

- Most risk assets, led by stocks, rallied during the quarter as investors shrugged off recessionary fears and focused on what they hope could be the end of a rate tightening cycle that began in March 2022 when the benchmark was 0.0%-0.25%

Demand > Supply = Higher Prices For Longer





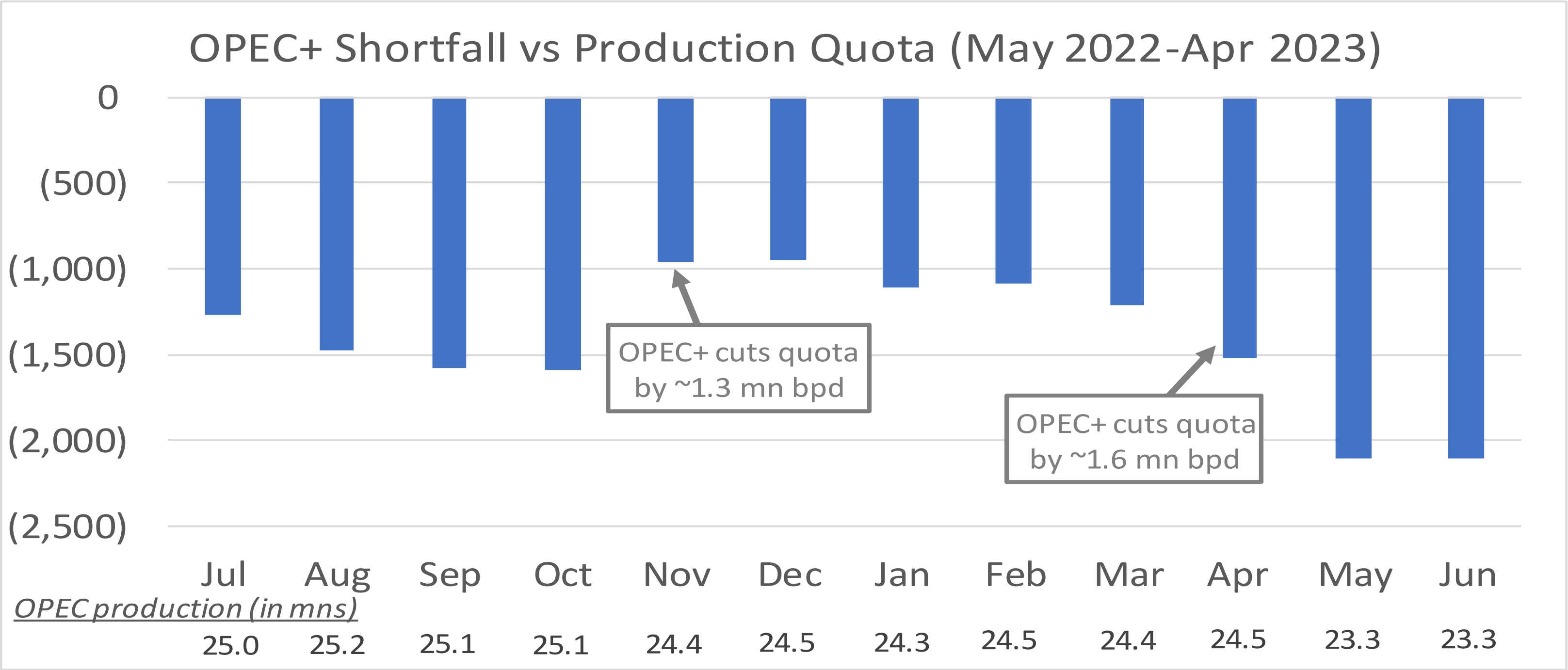


- Commodity cycles tend to be multi-year.
- OPEC+ reduced its output quota by 1.16 mbpd on April 2nd.
- Domestic U.S. producers are focusing on shareholder friendly initiatives (e.g., debt reduction, dividend growth, buybacks).

Eagle Global Advisors

Source: Energy Information Agency. Data as of 6/30/2023

OPEC+ Failing To Keep Up With Production Quotas



OPEC+ production has failed to meet their established quota each month since Jan 2021, despite reducing quotas twice.

Source: Energy Information Agency, Wells Fargo Securities. Data as of June 2023

Rediscovering The Importance Of Traditional Energy

The United States and Western Europe are re-discovering the important role hydrocarbons play in the global economy:

- G-7 reverses commitment to halt financing of overseas fossil-fuel projects by year's end.
- European Union pushing to allow natural gas (and nuclear) to qualify as "sustainable energy" for purposes of achieving climate-friendly future.
- Germany (and Europe) fast tracking LNG import facilities to diversify supply away from Russia.
- Increasing support in the United States for an "all under the sun" approach to energy policy.

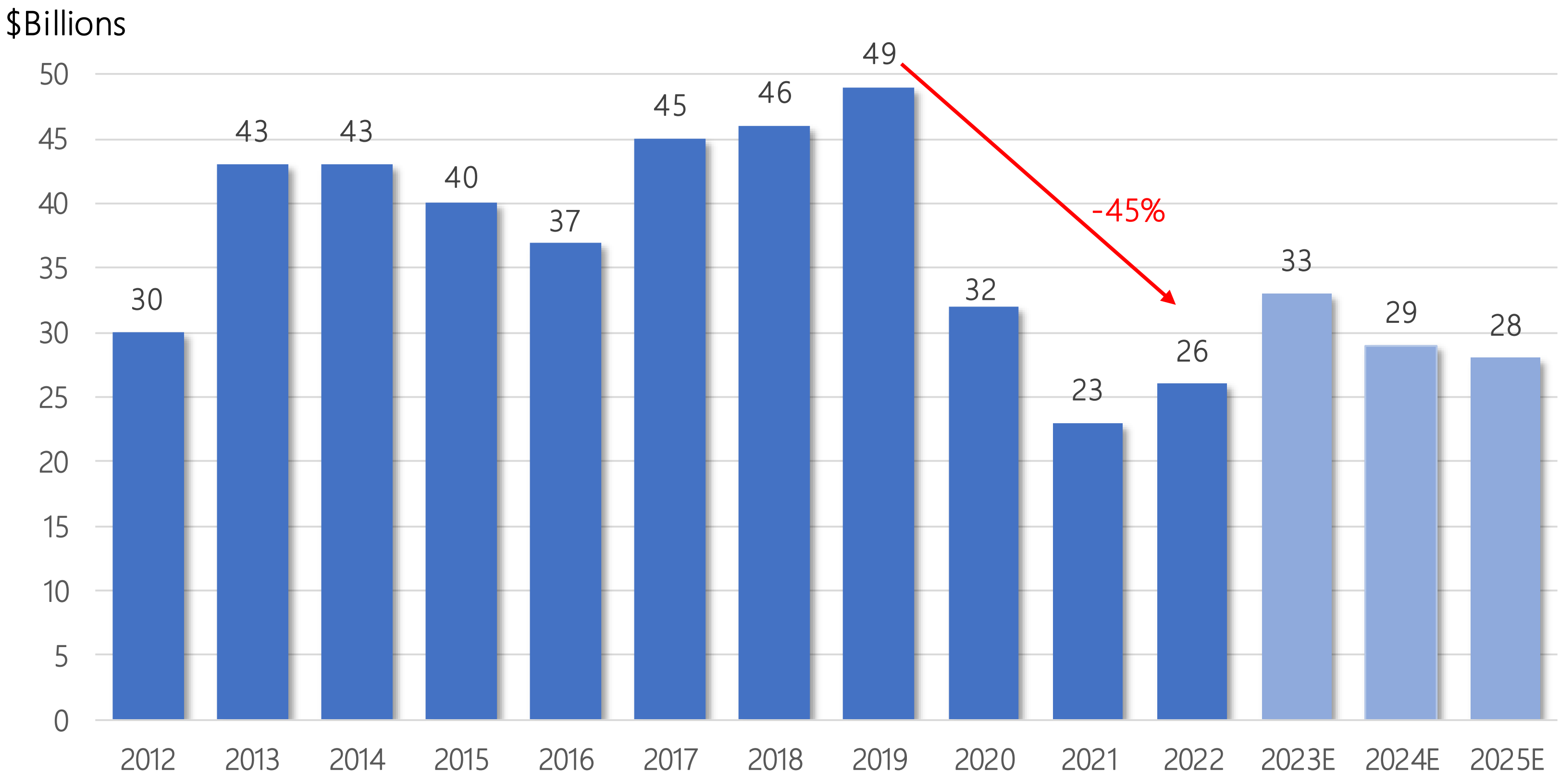
Midstream Outlook

Net Free Cash Flow, Attractive Value Proposition, and Inflation Protection

- Attractive free cash flow yields provide for accelerated deleveraging and increased adoption of share buy-back programs to return value to equity holders.
- High distribution coverage supports sustained and potentially growing dividends, the reversal of a multi-year trend of cuts.
- Midstream has a history of performing well during periods of inflation and rising interest rates.
- Valuations remain low relative to history and other yield-oriented asset classes, creating the opportunity for a further re-rating of the sector.
- North American Midstream infrastructure is critical to ensuring global energy security in a volatile geopolitical environment.

Midstream Organic Capex

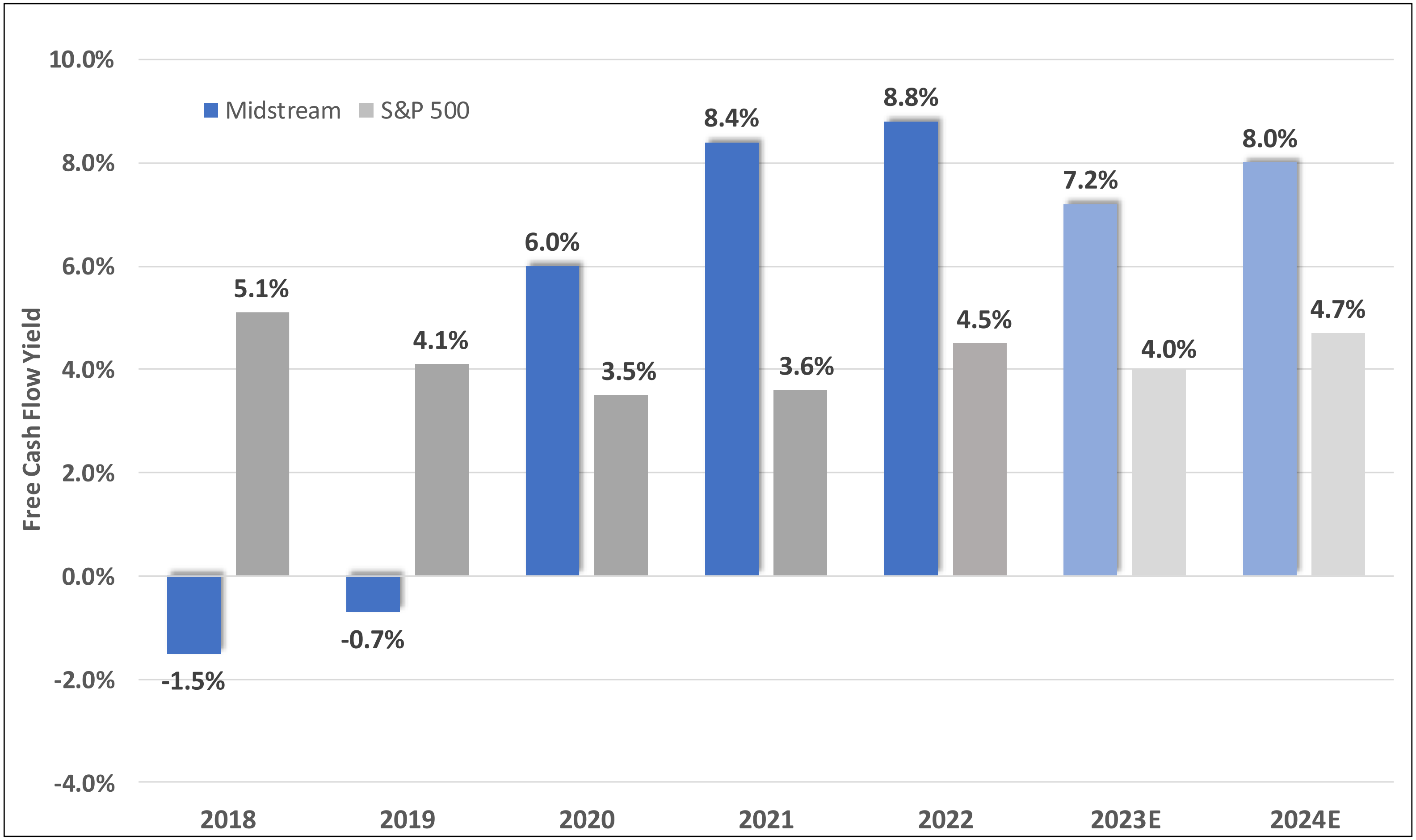
Shale Assets Have Matured, Requiring Less Capital Expense



Source: Company Data, Wells Fargo Securities, LLC. Data as of June 2023.

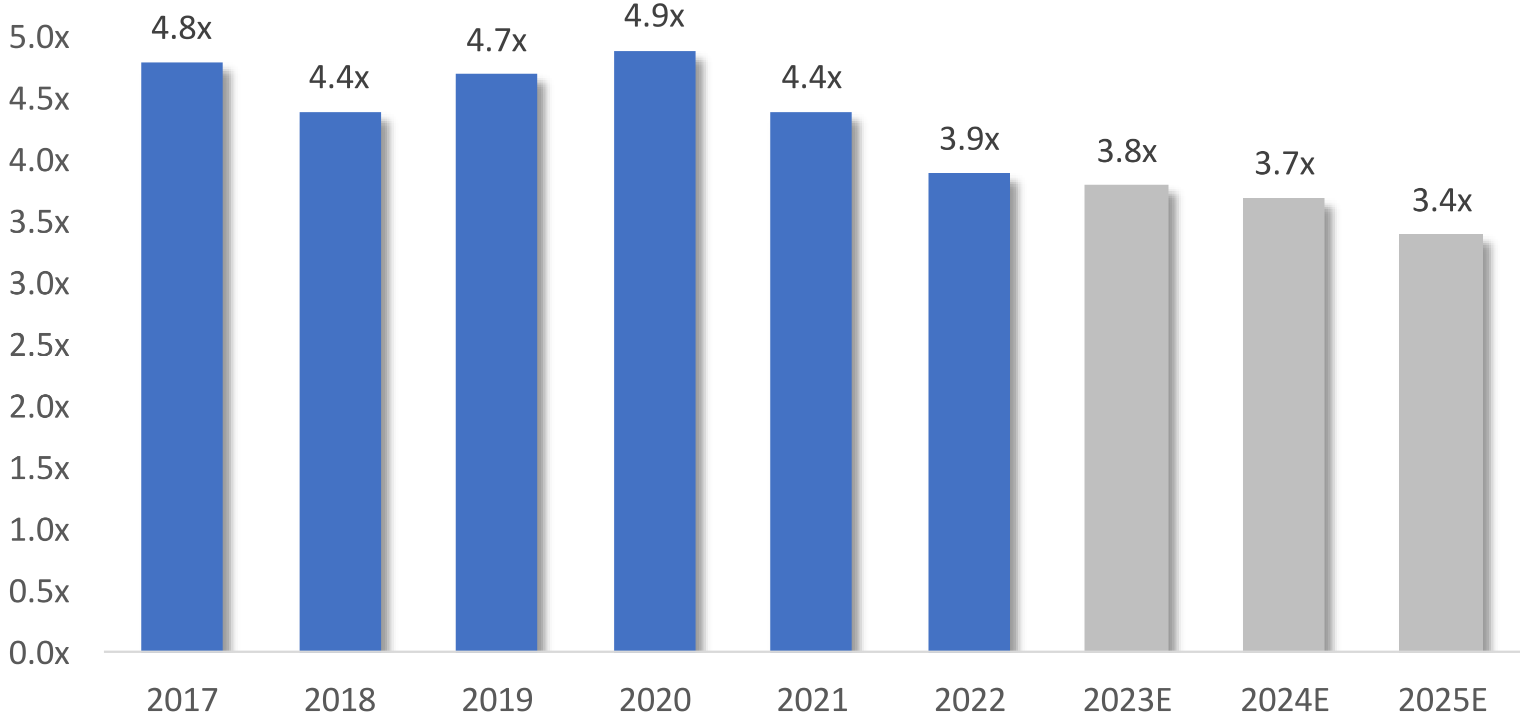
Free Cash Flow

Higher EBITDA + Lower Capex = More Free Cash Flow



Rating Agency Debt to EBITDA

Leverage Improvement Expected to Continue Through 2027

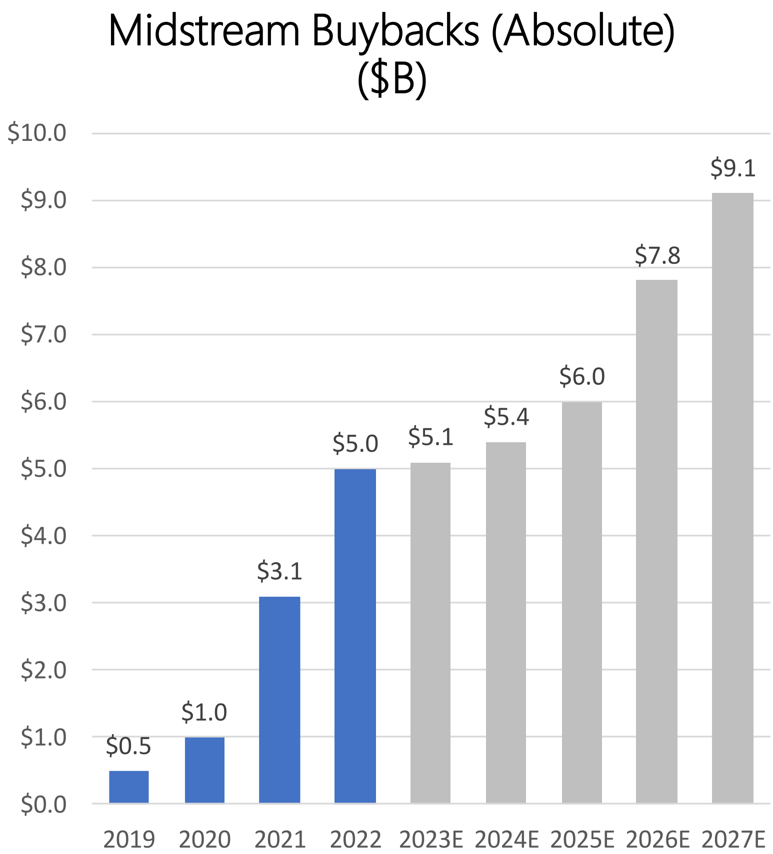


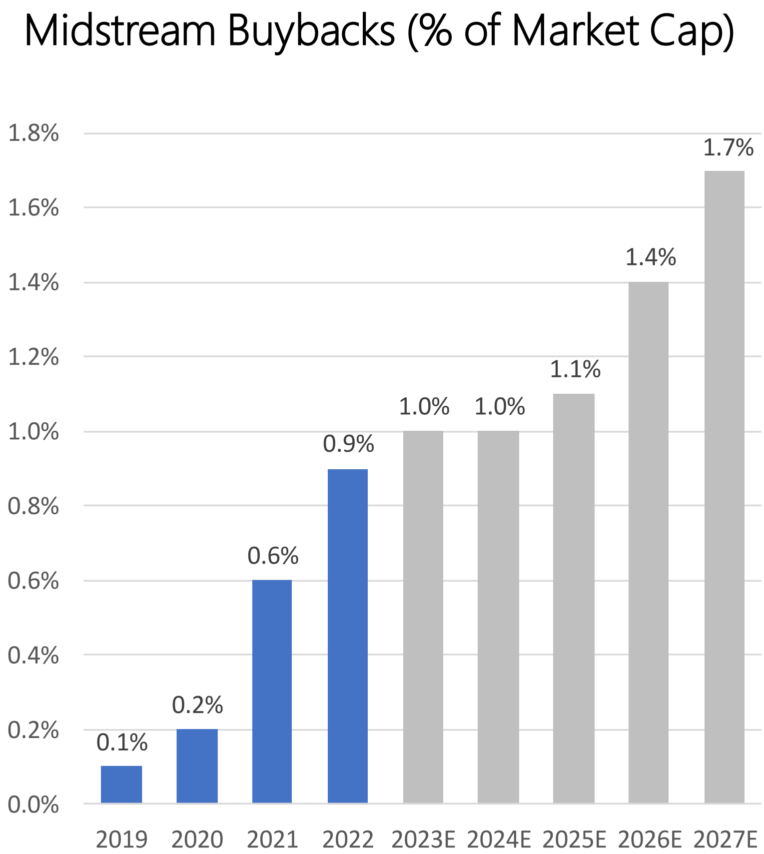
Source: Company reports and Wells Fargo Securities, LLC estimates

Note: Leverage metrics reflect the median for Pipeline MLPs and Midstream C-Corps currently under coverage, whereas coverage metrics reflect all C-Corps and MLPs under coverage. Data as of June 2023.

Midstream Share Buybacks

Expect Trend To Accelerate As FCF Grows In 2022 And Beyond





Source: Company Reports, FactSet and Wells Fargo Securities, LLC. Data as of June 2023

EAGLE GLOBAL ADVISORS

Real Assets And Inflation

Midstream Has a History of Better Performance During Inflationary Periods

Annual Changes to CPI, Alerian MLP Index, S&P 500

Period	Annual Change in CPI	Annual Change in AMZX	Annual Change in S&P
Average 1996-2022	2.47%	13.36%	10.18%
Average During Low Inflation*	1.69%	10.04%	18.25%
Average During High Inflation**	3.75%	19.10%	0.09%

- *Real assets typically provide superior returns during periods of inflation.*
- *Midstream is a mature asset class with limited need for capital.*
- *Midstream has pricing power to offset inflation, including CPI+ and PPI+ price adjusters on most contracts.*

Source: Bloomberg, Alerian. As of 12/31/22
*Years when CPI was below the 26-year average
**Years when CPI was above the 26-year average

EAGLE GLOBAL ADVISORS

Valuations Remain Cheap To History

Midstream Is Discounted To Other Energy And Other Yield-Oriented Securities

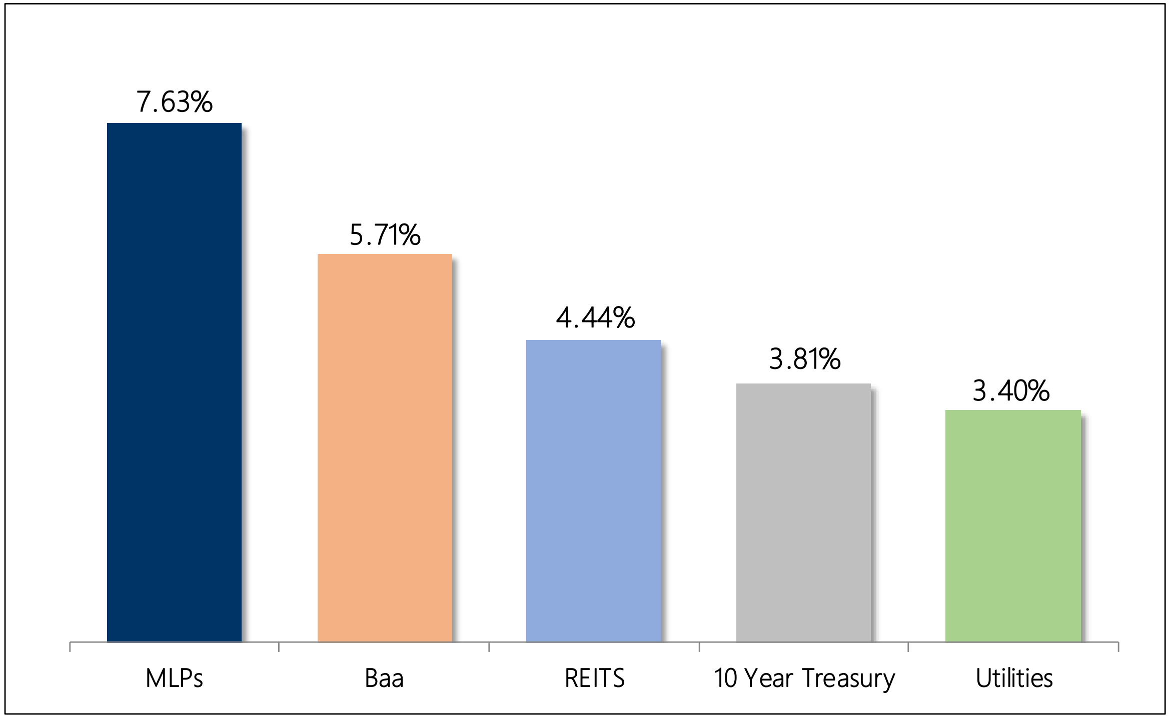
EV-to-EBITDA Multiples	Current	5-year Average	Premium (Discount)	10-year Average	Premium (Discount)
MLPs	7.9x	8.5x	-8%	11.0x	-28%
Midstream C-Corps	9.1x	10.1x	-10%	12.4x	-27%
Exploration & Production	4.8x	5.8x	-18%	6.7x	-29%
Refiners	5.2x	6.3x	-17%	5.9x	-12%
Oilfield Services	8.1x	8.7x	-7%	9.0x	-10%
Utilities	10.4x	10.6x	-1%	9.8x	6%
REITS	16.5x	18.1x	-9%	17.2x	-4%
S&P 500	12.8x	12.6x	1%	11.3X	14%

Source: FactSet and Wells Fargo Securities, LLC estimates. Data as of June 2023 Current multiples are based on 2023 estimates. The 5-year and 10-year averages reflect 2017-2021 and 2012-2021, respectively. All sector multiples reflect the median of individual constituents in the respective Wells Fargo coverage universe.

Current Yield

MLP/Midstream Yield Remains Elevated

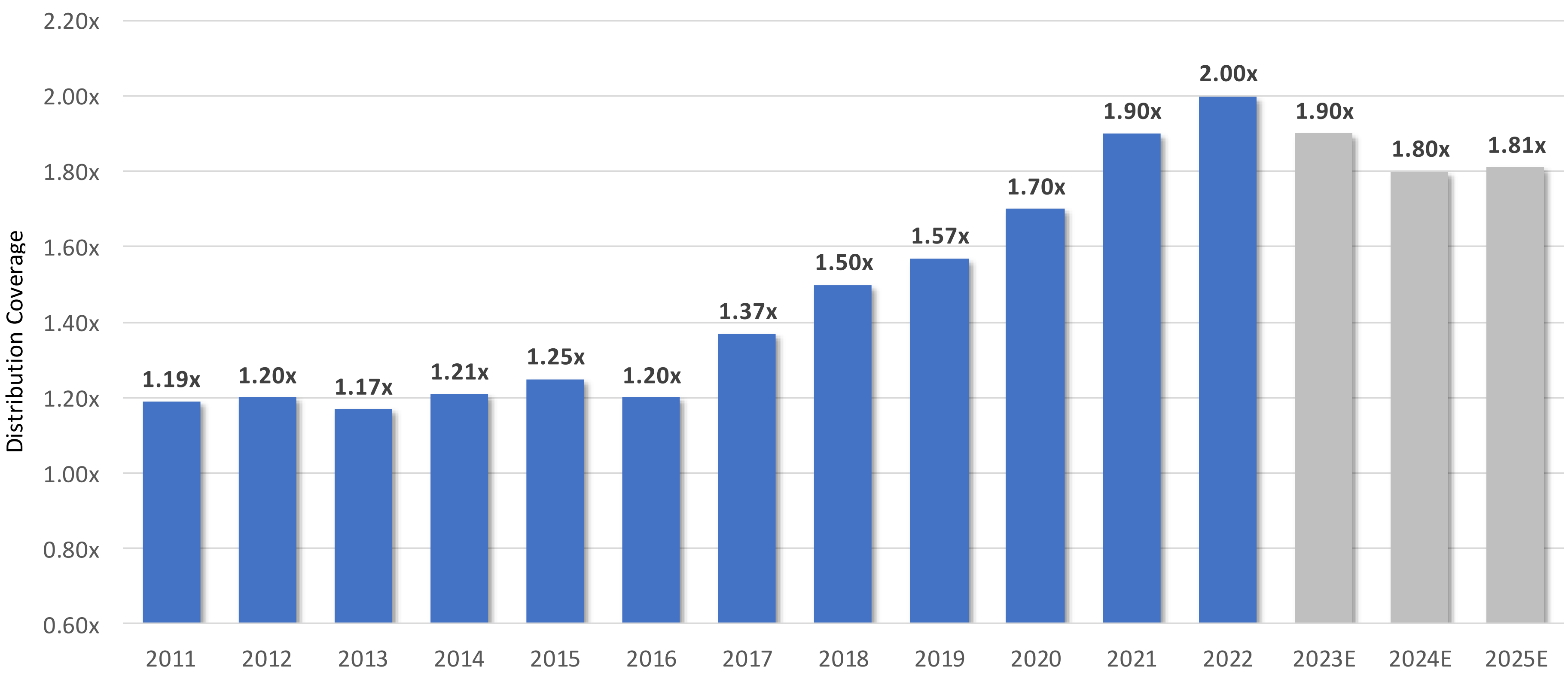
- MLP yield advantage remains high in a low-income world.
- Prior distribution cuts have eroded investor confidence in payouts.
- Current distribution coverage ratio is 2.0X versus 1.2X in 2015.



Source: Alerian, NAREIT, Dow Jones, Moody's, US Federal Reserve. MLPs are represented by the Alerian MLP Index (AMZ). Baa is represented by the Moody's seasoned Baa corporate bond index. REITS are represented by the NAREIT Equity REIT total return index. Utilities are represented by the Dow Jones Utility Index. Data as of 6/30/2023.

Midstream Distribution Coverage

2.0x In 2022 versus 1.2x In 2016



Source: Company reports and Wells Fargo Securities, LLC estimates
Note: Coverage figures derived from an aggregate calculation.
Data as of June 2023

Portfolio Positioning

- Focus on free cash flows that support incremental shareholder returns through accelerated share buybacks and increased dividends (e.g. TRGP, LNG, PAA).

- Mitigate inflation risk by owning companies whose contracts are tied to inflation escalators (e.g. TRGP, HEP).

- Own businesses positioned to capture strong oil and gas fundamentals (e.g., ET, PAA, WES, TRGP).

- Capitalize on Global Energy Security theme by owning companies with energy export infrastructure (LNG, ET, TRGP, EPD).