

MLP Market Update

August 2015

by Emily Hsieh



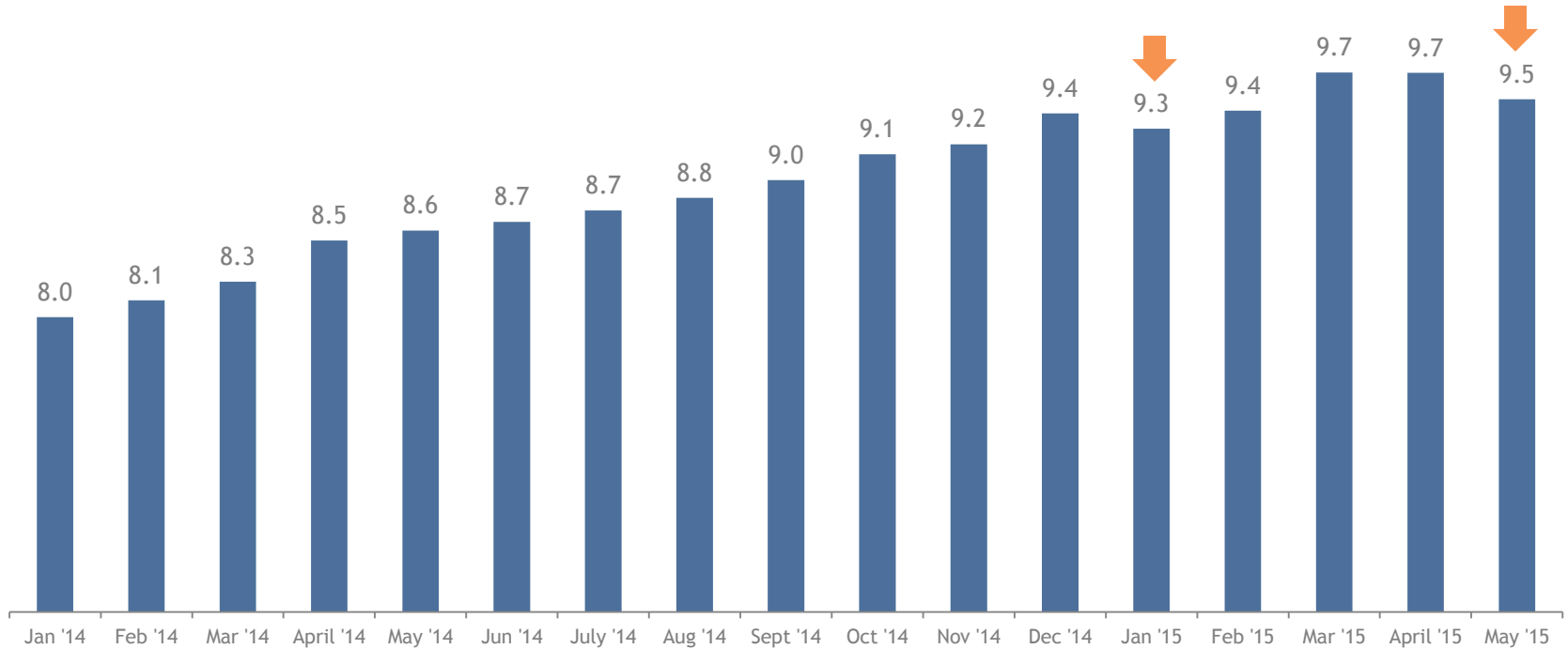
Current Issues

- ▶▶ **Crude Oil Prices and Production**
- ▶▶ **Interest Rates**
- ▶▶ **MLP Industry Update**
- ▶▶ **Long-term MLP Thesis Intact**



Sustained Period of Production Pullback Necessary

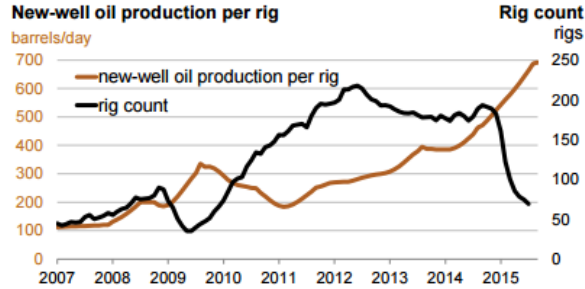
Crude Oil Production (MMbbls/d)



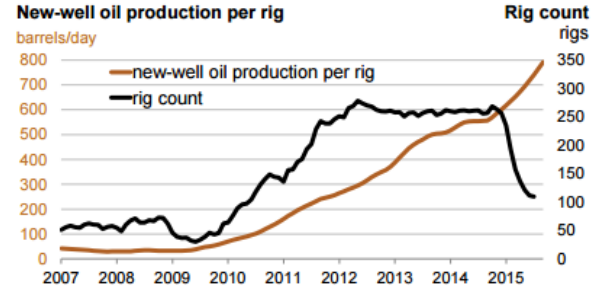


Drilling Efficiencies Continue to Improve

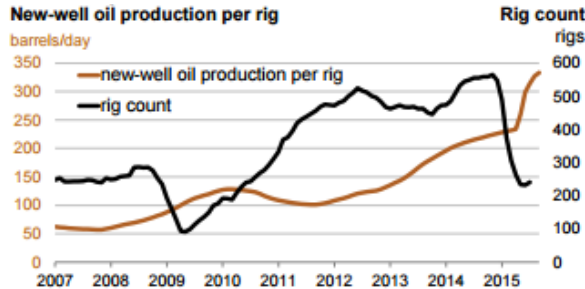
Bakken



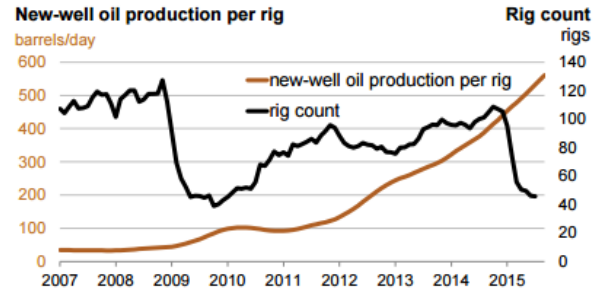
Eagle Ford



Permian



Niobrara



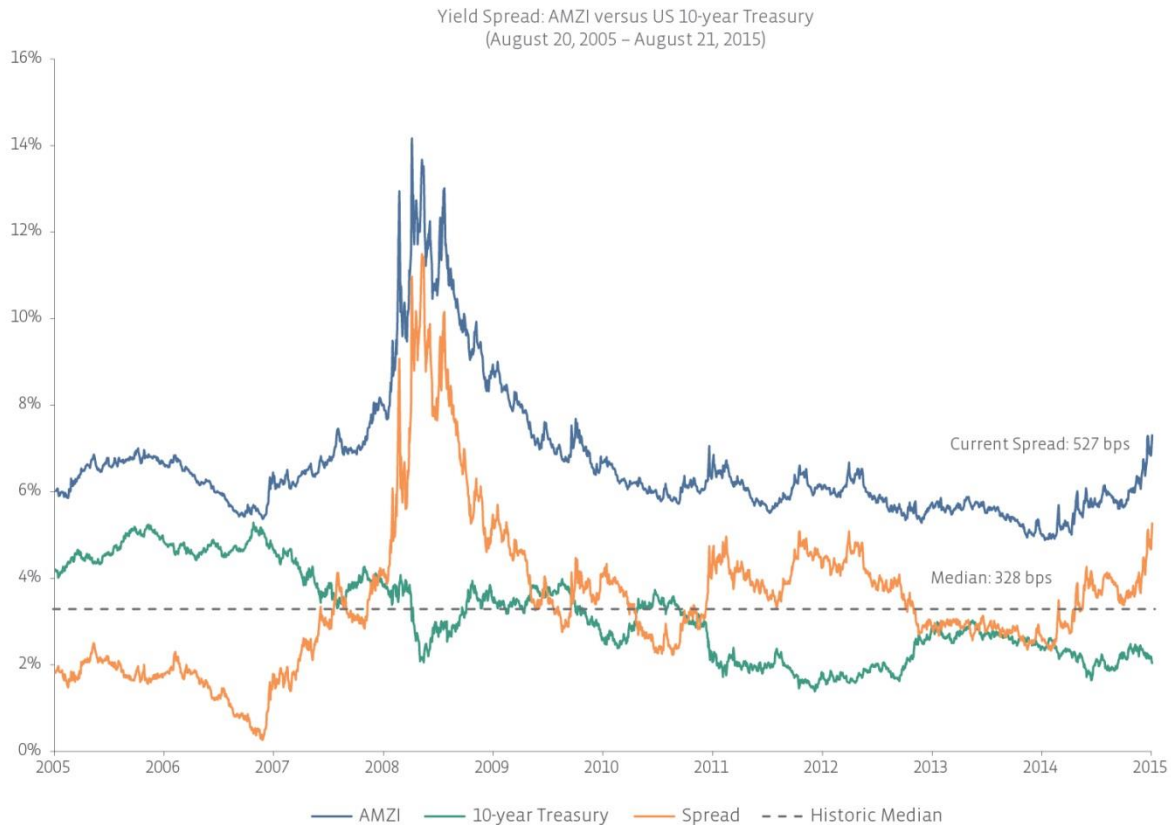


Inflation Concerns Over Exaggerated

- ▶▶ **Inflation-indexed contracts**
 - July 1, 2015 — Interstate liquids pipelines increased tariffs by 4.58%
- ▶▶ **Majority of debt is long-term and fixed**
- ▶▶ **No significant correlation over the long-term**
- ▶▶ **MLP distribution growth historically outpaces inflation**
- ▶▶ **MLP yield spreads wider than historical averages**

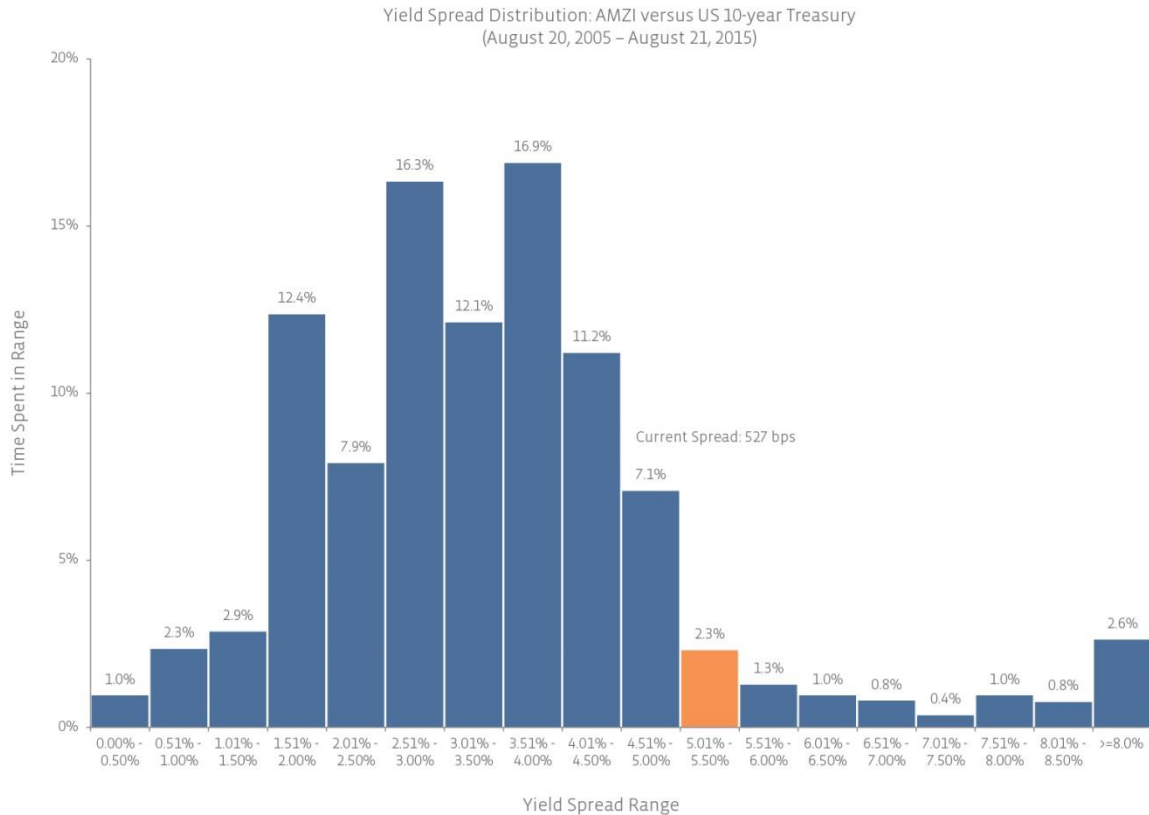


MLP Yield Spreads are Above Historical Trends





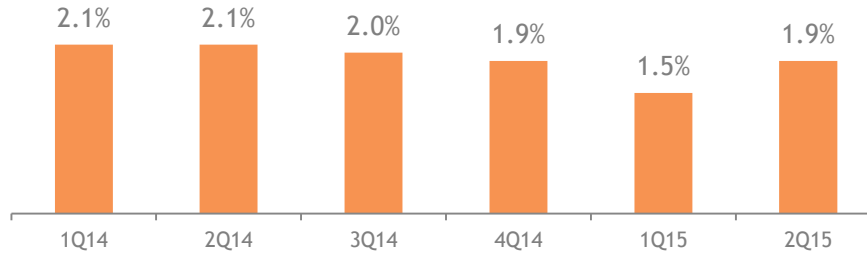
Historical Yield Spread Distribution





Midstream MLPs Continue to Grow Distributions

AMZI Quarterly Distribution Growth

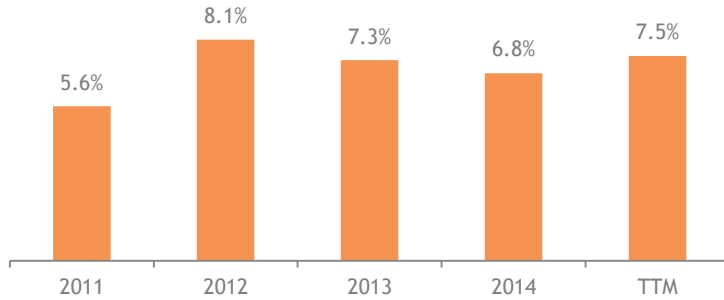


	Increase	Maintain	Cut
1Q14	18	7	0
2Q14	22	3	0
3Q14	21	4	0
4Q14	18	7	0
1Q15	15	8	0
2Q15	17	6	0

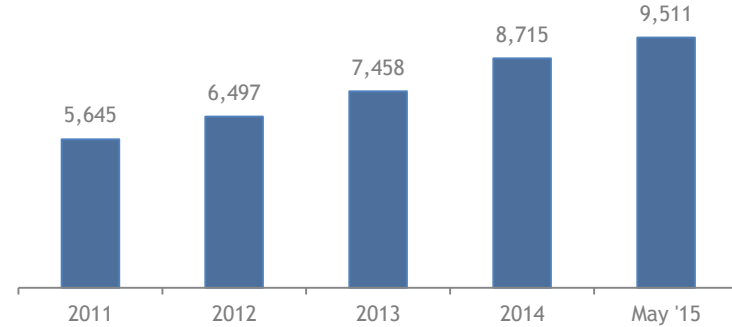


Distribution Growth Despite Changing Environment

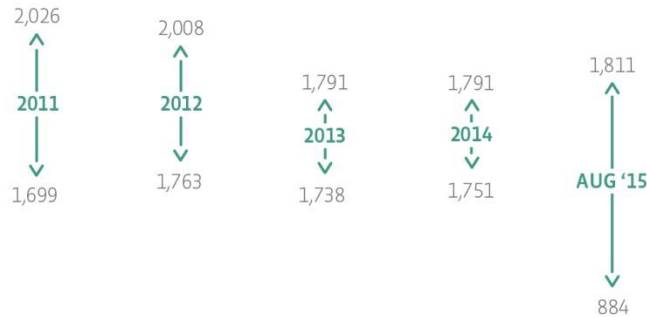
AMZI Annual Distribution Growth



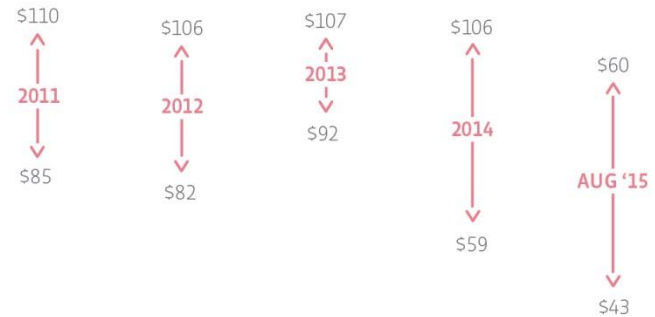
Crude Production (MMbbls/d)



US Onshore Rig Count



Crude Oil Prices (\$/bbl)





Long-Term MLP Thesis Intact

- ▶▶ Inelastic energy demand
- ▶▶ Stable and growing base of cash flows
- ▶▶ Infrastructure build-out to support energy independence
- ▶▶ Real asset exposure