



2Q21 MLP/Midstream Dividend Recap: Steady Headway

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Summary

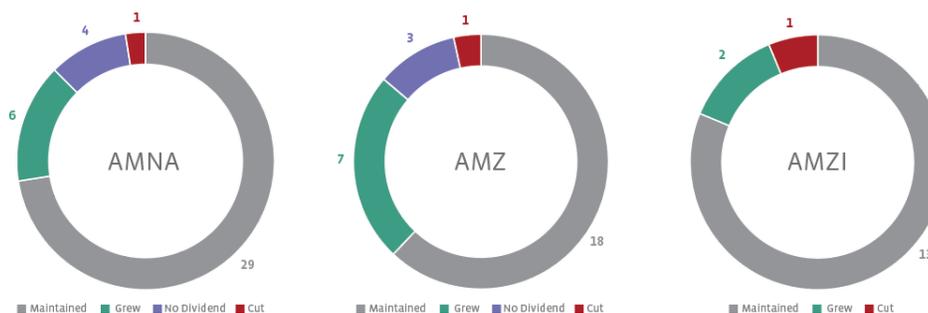
- For the [Alerian Midstream Energy Index](#) (AMNA) a broad midstream composite index containing both MLPs and C-Corps, 35 of 36 dividend-paying constituents raised or maintained their payouts sequentially.
- For the [Alerian MLP Index](#) (AMZ), 25 of 26 distribution-paying constituents raised or maintained their payout sequentially.
- A single cut and several examples of sequential dividend growth adds confidence to midstream income even as yields remain well above other income-oriented investment options.

2Q21 dividend/distribution stability reflects improved financial health

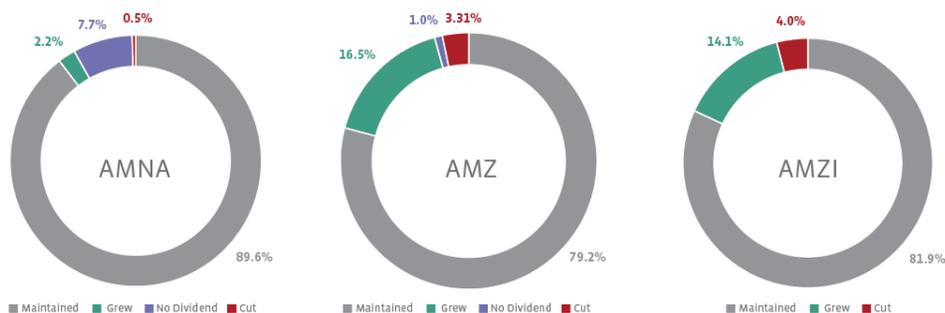
As has been largely the case following the dividend cuts for [1Q20](#), midstream companies broadly held their payouts steady in 2Q21, with a handful of names increasing their payouts sequentially and one lonesome cut. The pie charts below show the quarter-over-quarter (Q/Q) changes to distributions/dividends for the constituents of the [Alerian Midstream Energy Index](#) (AMNA), [Alerian MLP Index](#) (AMZ), and [Alerian MLP Infrastructure Index](#) (AMZI) by comparing 2Q21 with 1Q21. To be clear, 2Q21 dividends refer to the dividends that will be paid in 3Q21 as a result of operational performance in 2Q21. For the constituents of the AMNA Index that pay monthly dividends – [Inter Pipeline](#) (IPL CN), [Keyera](#) (KEY CN), and [Pembina Pipeline](#) (PPL CN) – the dividend for July 2021 was compared with the declaration for March. For AMNA, constituents [Cheniere Energy](#) (LNG), [Tellurian](#) (TELL), [Macquarie Infrastructure](#) (MIC), and [NGL Energy Partners](#) (NGL) do not pay a dividend, and within the AMZ, constituents [Summit Midstream Partners](#) (SMLP), and [Evolve Transition Infrastructure](#) (SNMP) do not pay a distribution.¹

AMNA, AMZ, AMZI Q/Q Dividends: Steady Trend Continues for 1Q21

Absolute Numbers



By Weighting



Weightings as of August 5, 2021.
IPL CN, KEY CN, and PPL CN pay monthly dividends. For these names, dividends for July 2021 were compared with March 2021.
Source Alerian, Company Reports as of August 5, 2021

1. NGL previously suspended its quarterly common unit distribution and last paid a distribution in November 2020.

SMLP previously suspended its quarterly common unit distribution and last paid a distribution in February 2020.

SNMP, previously Sanchez Midstream Partners, suspended its quarterly common unit distribution and last paid a distribution in May 2019.

For AMNA, which represents the broad midstream universe, dividend stability continued through 2Q21, as 35 of 36 dividend-paying names raised or maintained their dividends sequentially for the quarter, representing 91.8% of the index by weighting (companies not paying dividends represent 7.7% of the index). In total, seven midstream names increased their payouts quarter-over-quarter: [Rattler Midstream LP](#) (RTLRL) by 25%, [Hess Midstream LP](#) (HESM) by 11%, [Delek Logistics Partners](#) (DKL) by 2.2%, [USD Partners](#) (USDP) by 2.2%, [Oasis Midstream Partners](#) (OMP) by 1.8%, [Western Midstream Partners](#) (WES) by 1.3%, and [Cheniere Energy Partners](#) (CQP) by 0.8%. The lone cut came from [Shell Midstream Partners](#) (SHLX), which reduced its [dividend by 35%](#) to ensure near-term financial stability, provide a long-term sustainable financial framework, and allow the MLP the ability to pursue accretive projects to enhance unitholder value.

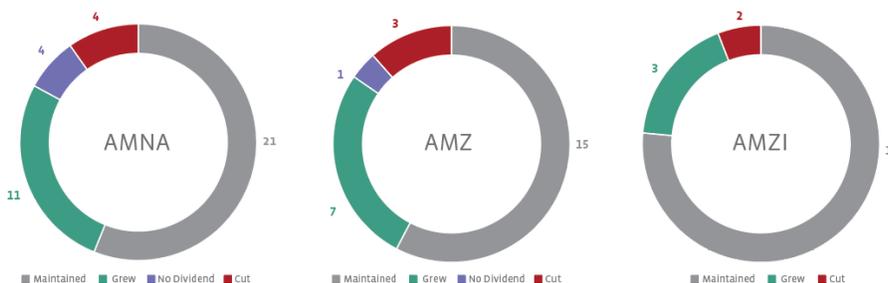
While the distribution reduction this quarter came from an MLP (SHLX), MLPs also accounted for all the distribution increases in 2Q21, helping offset some of the impact from the cut—with seven MLPs increasing their distributions sequentially in 2Q21 compared to six in 1Q21. For AMZ, 25 of 26 dividend paying constituents raised or maintained their distribution, representing a 95.7% of the index by weighting (1.0% of the index does not pay distributions). The percentage of distribution increases by index weighting rose from 14.5% in 1Q21 to 16.5% in 2Q21, while the percentage of constituents that maintained their distribution by index weighting decreased from 84.6% in 1Q21 to 79.2% in 2Q21, reflecting SHLX’s distribution cut and the removal of [Noble Midstream Partners](#) (NBLX)—who maintained its distribution in 1Q21 and accounted for 1.06% of the index by weighting but was [acquired and removed from the index in May](#).²

As 1Q20 cuts roll off, year-over-year comparison reflects yearly growers and renewed payout stability

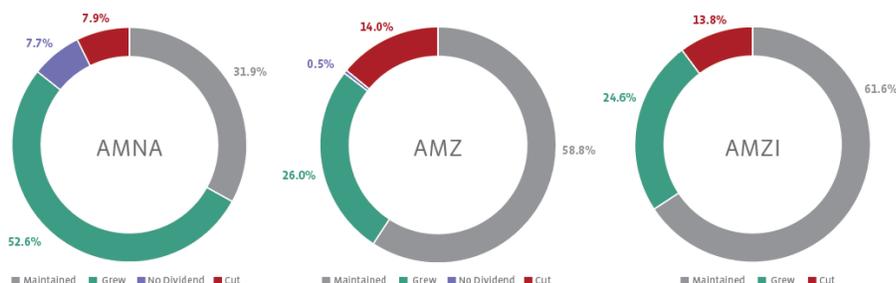
The charts below compare 2Q21 dividends with the 2Q20 dividends for the constituents of AMNA, AMZ, and AMZI. Overall, 84.5% of AMNA by weighting grew or maintained dividends year-over-year, while 7.9% cut. Because the dividend cuts that took place during 1Q20—at the peak of the pandemic’s effects—have largely rolled off from the yearly comparison in 2Q21, more names are falling into the “maintained” category. Thus, distribution cuts in the year-over-year comparison largely reflect ET, (who cut its distribution in 3Q20) and smaller names like SHLX, RTLRL, and AM who cut their distribution in 2H20 or 1H21 and accounted for a combined 1.56% of the AMNA index by weighting. Dividend growth largely reflects the midstream names that typically increase their payouts once a year during the 4Q or 1Q payout, and to a lesser extent, those names that cut their distribution in 1Q20 (or prior) but have set forward a string of sequential increases and are now reflecting year-over-year growth as cuts roll off the yearly-comparison. Nonetheless, the year-over-year comparison will continue to reflect those companies providing annual growth.

AMNZ, AMZ, AMZI Y/Y Dividends: Steady Improvement Since COVID-19 Cuts

Absolute Numbers



By Weighting



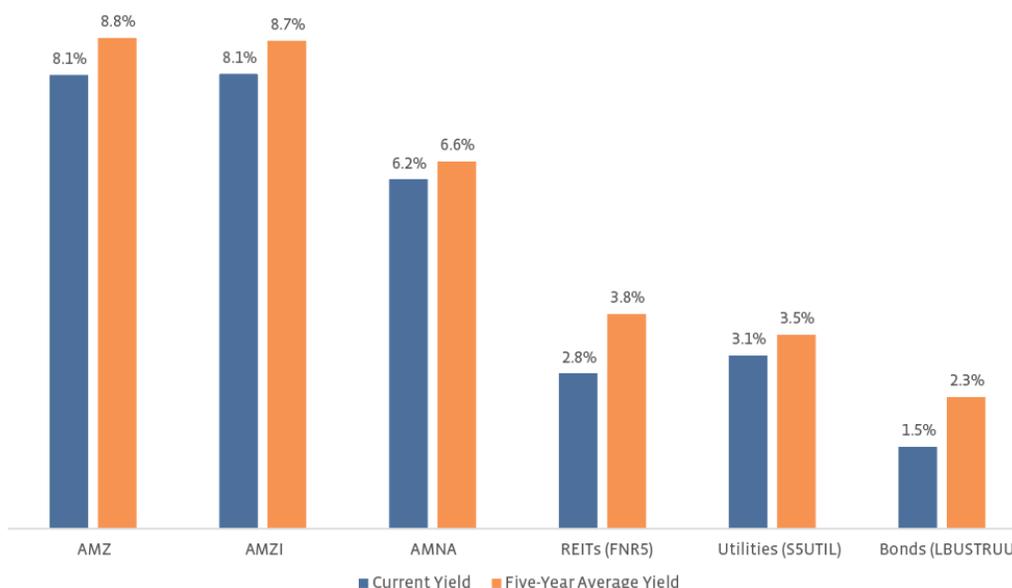
Weightings as of August 5, 2021.
IPL, CN, KEY, CN, and PPL, CN pay monthly dividends. For these names, dividends for July 2021 were compared with July 2020.
Constituents that were not in the index the prior year were excluded.
Source Alerian, Company Reports as of August 5, 2021.

2. NBLX weighting as of 4/30/2021

Constructive earnings and a stable energy backdrop add confidence to midstream income

As midstream earnings season comes to a close, solid results across the board—characterized by robust free cash flow generation, disciplined capital spending, and a continued focus on financial flexibility—add confidence to the reliability of midstream income. The outlook remains steady and largely constructive in the short-term, with some midstream management teams citing expectations for the energy environment to strengthen further in 2H21 and into 2022, while the longer-term outlook is starting to shape more favorably as midstream names announce new clean-energy ventures or make progress on existing energy-transition investments that could yield attractive returns in the future. Furthermore, midstream names have executed across various fronts to improve financial health and stand in financially sound positions today, which makes future distribution cuts unlikely as the names that needed to reduce payouts to ensure financial stability have largely done so. With the bulk of distribution cuts likely behind us, the current setup is indicative of continued stability and potential distribution increases down the road on the heels of a favorable energy landscape. While strong equity performance has pushed midstream yields below their five-year averages, the midstream space continues to offer attractive income relative to other income-oriented sectors/assets. As of last Thursday, MLPs (AMZ) were yielding 8.1% while the broader midstream space (AMNA) was yielding 6.2%, well above those yields offered by the REITs, the utilities sector, and bonds.

Midstream Yields Remain Attractive Relative to Other Sectors



Utilities are represented by the S&P 500 Utilities Index (SSUTIL). REITs are represented by the FTSE NAREIT Real Estate 50 Index (FNR5). Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index (LBSTRUU).
Source: Alerian, Bloomberg as of August 5, 2021

AMNA is the underlying index for the ETRACS Alerian Midstream Energy Index ETN (AMNA). AMZI is the underlying index for the Alerian MLP ETF (AMLP) and the ETRACS Alerian MLP Infrastructure Index ETN Series B (MLPB). AMZ is the underlying index for the JP Morgan Alerian MLP Index ETN (AMJ) and the ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN (MLPR).

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