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The MLP Newsletter for Advisors
Spring 2016

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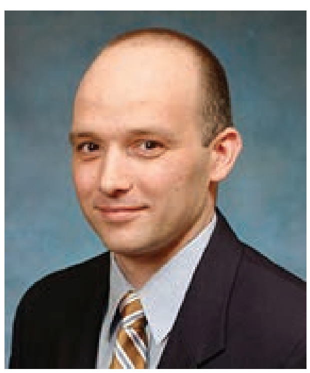
As an investment advisor, you have been subscribed to the MLP newsletter so that you and your clients can stay abreast of this powerful income-generating sector. Published quarterly, the MLP Newsletter will include valuable information about MLPs that you cannot get anywhere else.

The Master Limited Partnership Association (MLPA) is a trade association representing the publicly traded limited partnerships (PTPs) that are commonly known as master limited partnerships (MLPs), and those who work with them.

Each and every newsletter will also include in-depth interviews with the experts who drive this market. This quarter's newsletter features an interview with Robert Thummel, Managing Director and Portfolio Manager at Tortoise Capital Advisors.

Tortoise Capital Advisors



Tortoise Capital Advisors is an investment manager specializing in listed energy investing. Tortoise is considered a pioneer in managing MLP funds and other accounts for individual and institutional investors, with a focus on energy infrastructure investing. Tortoise's products include energy funds, both publicly-traded closed-end funds, open end funds, and private funds as well as separate accounts.

Advisor Access: ***2015 was a tough year for energy companies, especially MLPs, and we've seen that weakness carry through into 2016. Walk us through what happened.***

Rob Thummel: The energy markets started 2015 with a lot of unanswered questions after the November 2014 OPEC meeting where OPEC looked to increase its market share in the global oil market. After reaching highs in the low $60s, oil prices were cut in half ending the year at around $37 per barrel. Why such a steep fall? Increased global oil supply, led by OPEC, exceeded global demand growth resulting in rising global crude oil inventories.

Advisor Access: ***How did this impact MLPs?***

RT: Historically, the correlation between oil prices and MLPs has been relatively low around 0.4 to 0.5. However, 2015 ended up not being a normal year as the total return of the Tortoise MLP Index® was negative (33%) which was similar to the total return of U.S. oil prices which fell by (31%). Ninety percent of the stocks in the Tortoise MLP Index declined last year despite weighted-average distribution growth of 11.2% for the index. The yield on the Tortoise MLP Index started the year at 5.8% and ended the year at 8.9%. Incidentally, the current yield on the Tortoise MLP Index as of February 22, 2016 was 10.1%.

Advisor Access: ***Given the performance of MLPs, did the fundamentals supporting the sector deteriorate?***

RT: Midstream MLPs typically generate fee-based cash flows providing a critical service connecting energy supply to demand centers. Generally, the share prices of stocks fall when cash flows decline. Midstream MLPs have been an anomaly as the fundamentals and cash flows of midstream MLPs clearly are not as volatile. In fact, midstream MLPs experienced cash flow growth during the year. During 2015, the weighted-average distribution growth of the Tortoise MLP Index was 11.2%.

Advisor Access: ***What is your outlook for the MLP sector in 2016?***

RT: With MLPs now more closely linked in the short term to oil prices, let's first start with our outlook on oil prices in 2016. Currently, we are on day 581 (as of February 23, 2016) of the current peak-to-trough commodity cycle, which is the second longest commodity cycle in history. In our view, the current oil price is unsustainable.

This is evident by the fact that most U.S. oil and gas producers have cut capital expenditures for two consecutive years. Many U.S. producers are expecting production declines in 2016. We expect lower U.S. production to be the critical factor that could lead to a recovery in oil prices during the second half of 2016. We also expect U.S. production to fall by 500,000 to 1,000,000 barrels per day and global demand to increase by 1.2 to 1.4 million barrels per day. In the second half of 2016, global demand is expected to exceed supply, resulting in a decline in global oil inventories which will likely lead to higher oil prices in the future.

Our expectation for the MLP sector is that demand for U.S. produced energy will remain strong. 2016 should be a milestone year for the U.S. energy sector as it is expected to be the first year that the U.S. exports U.S. produced crude oil outside of North America, the first year that liquefied natural gas or LNG is transported internationally, and the first year that ethane, a natural gas liquid, is shipped outside the U.S. Midstream MLPs will continue to provide the transportation services that are essential for producers to connect oil and gas supply to demand regions. While some midstream projects could be delayed, the current project backlog for MLPs provides visibility of continued increases in distributions for some MLPs. As the U.S. becomes a larger supplier of low cost energy to the rest of the world, it is expected that additional opportunities for new infrastructure will be created as well. We continue to expect 5-8% distribution growth for the MLP sector.

Advisor Access: ***If U.S. production falls, won't there be less volume for MLPs to transport?***

RT: Yes, but it is important to understand the mode of transportation. First, the U.S. produces more than 9 million barrels per day so a 500,000 barrel per day decline is only a 5% drop in volumes. Second, a majority of the declines are expected to be experienced in areas such as the Bakken where most of the oil is transported by rail rather than by pipeline. So, a decrease in U.S. oil production volumes is not expected to have a major impact on most MLPs.

Advisor Access: ***Who wins in a low oil price environment?***

RT: The U.S. consumer is the biggest winner. Consumers saved more than $100 billion due to lower gasoline prices in 2015. In 2015, consumers responded to low oil prices through increased demand. In the U.S., the number of miles driven by U.S. drivers in 2015 set record highs. In 2016, demand response to low oil prices is expected to be strong as well. Midstream MLPs that store and transport refined products such as gasoline, diesel, and jet fuel should benefit from increased demand as more volumes are expected to be transported from refineries on the Gulf Coast, where approximately 70% of the U.S. refining capacity resides.

Advisor Access: ***Has the OPEC strategy effectively killed the U.S. shale energy renaissance?***

RT: No, we believe U.S. shale is here to stay. The U.S. is looking to make $40 or $50 per barrel oil the new $80 or $90 per barrel of crude oil. In other words, U.S. shale producers have been reducing drilling costs and increasing the volumes of oil and gas recovered per well so that they can earn the same rates of return at $40 or $50 per barrel that they previously earned at $80 or $90 per barrel.

Advisor Access: ***Aren't prices low for natural gas as well? Will low natural gas prices impact U.S. production and need for infrastructure?***

RT: Natural gas is clean, cheap, and abundant. Demand is expected to steadily grow. The Marcellus Shale and now the Utica Shale have changed flow patterns of natural gas in the U.S. requiring a re-plumbing of the natural gas infrastructure network. A lot of infrastructure is being developed in the U.S. to transport low cost Marcellus Shale produced gas in all directions.

Advisor Access: ***Given the selloff in the MLP sector, do valuations look compelling?***

RT: Yes, we believe so. We look at valuation from multiple vantage points. First, from a pure yield standpoint, the yield on the Tortoise MLP Index is approximately 10% as of Feb. 22, 2016. This compares to the three-, five-, and ten-year median yields of 5.9%, 6.1%, and 6.4%, respectively. Looking at cash flow multiples, the MLP sector is trading below historical averages. Relative to other yield-oriented asset classes, the current yield on MLPs is significantly higher than Real Estate Investment Trusts (REITs) and utilities.

Advisor Access: ***Thank you, Rob.***

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