NBW CAPITAL LLC

MLP INVESTMENT REVIEW AND OUTLOOK

June 30, 2023

Index Total Returns

Source: NBW Capital

	Three Months Ended 6/30/2023	Six Months Ended 6/30/2023
Alerian Total Return	5.38%	9.70%
S&P 500	8.74%	16.89%
Russell 2000	5.21%	8.09%
Bloomberg U.S. Aggregate Bond	-0.84%	2.09%
Alerian U.S. Midstream Energy	5.02%	6.65%

*June 30, 2023 quarter end point in time data. The above returns are industry index benchmark returns, your actual portfolio return can be located on the "Performance Overview" page of your reporting package.

Yields

Source: Bloomberg

	Ended 6/30/2023
Alerian Total Return	8.36%
Ten-Year U.S. Treasury	3.84%
One-Year U.S. Treasury	5.42%
Bloomberg U.S. Aggregate Bond	4.81%
S&P 500	1.62%
Dow Jones REIT	4.22%

Market Summary

Master Limited Partnerships ("MLPs"), as measured by the Alerian Total Return Index ("MLP Index"), had a positive return of 5.38% during the second quarter of 2023. For the year-to-date period ending June 30, 2023, the total return was 9.70%. NBW Capital's MLP Strategy total returns performed in line with the MLP Index during the second quarter, and trailed the MLP Index year-to-date due in part to the underperformance of C-Corp midstream holdings, which trailed their MLP peers. We view this as a transitory event and anticipate a return to index beating results, in line with our historical record.

C-Corp midstream companies have become a bigger part of the MLP investment landscape over the last few years. Although the Alerian Total Return Index remains the industry's standard market benchmark, the Alerian organization has developed a sub-index which includes C-Corps. The sub-index is called the Alerian U.S. Midstream Energy Index. We will include this index in our client reporting going forward for information purposes.

Review

MLPs have performed very well so far in 2023. They have encountered headwinds in the form of lower oil and natural gas prices, interest rate pressures, and fears of economic weakness. The positive 9.70% year-to-date total return for MLPs compares favorably to both commodity and income-oriented equity peers, with energy stocks down 6.01% and utilities down 6.78%. This divergence does not surprise us as MLPs have important differentiators from both energy and utility stocks.

As we have written many times in the past, the MLP fee-based, long-term contracted revenue business model is "volume" based. "Commodity prices" have little direct impact on revenues. These long-term contracts also include inflation escalators that allow MLPs to recoup, with annual caps, a significant part of inflation. In a year like we have had so far in 2023, MLPs have flourished. Slow economic growth, sticky 4% plus inflation, and elevated interest rates have not impeded MLPs from growing cash flows at a rate slightly better than was expected at the beginning of 2023.

Finally, higher interest rates have not exerted a meaningful negative impact on MLPs, as the industry has been reducing balance sheet leverage for over three years. During this time, much of the remaining debt had been termed out to extend maturities and fix the interest rate, making the companies less vulnerable to the rising rate environment.

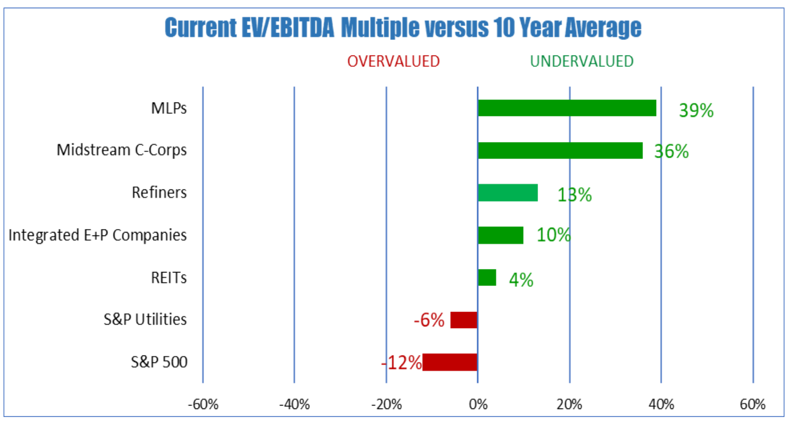
Outlook

Energy prices have a small, if any, direct impact upon MLP revenues. Cash flows for the industry have held up better than corporate profits during recessions, and have historically grown at a less cyclical and more consistent rate than corporate profits.

While energy price volatility has little, if any, impact on MLP business operations, they can exert a significant impact on investor psychology. Ergo, MLP stock prices are influenced by energy prices; especially so in the short run.

So far in 2023 energy prices have struggled. Oil[1] and natural gas[2] prices have declined 13% and 40%, respectively. Energy demand has been affected by a slowdown in global growth, especially in China, and a warmer than expected winter. Supply has been boosted by a coordinated drain of Western government strategic petroleum reserves. We anticipate these dynamics will reverse in the second half of 2023 as Chinese economic stimulus should result in higher demand, as well as the draining of government stockpiles reaches its completion. At some point, we will need to replenish global stockpiles that are currently well below normal.

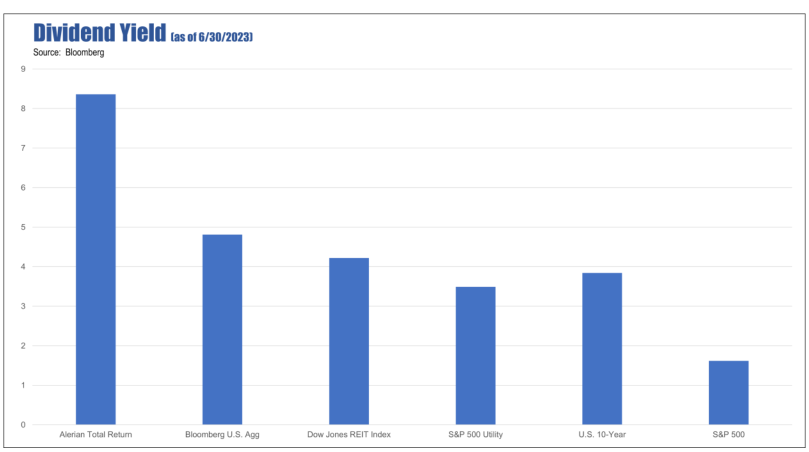
Higher second half energy prices would be supportive to very low investor sentiment towards energy in general and MLPs specifically. Mutual fund and ETF MLP products experienced outflows of capital this year despite the attractiveness of the group. Offsetting this has been the estimated $2 billion of share buybacks that MLPs have completed so far this year. Additionally, much of the 8% annual distributions paid to shareholders continues to be reinvested in the group. Yet, MLPs are still ignored by a broad swath of the investing public. As seen in the chart below, the group is trading at a significant discount to its trailing ten-year valuation.



Source: Wells Fargo Securities, LLC Data as of 7/7/2023

This may be changing. Many investors today are uncomfortable with the risk posed by stocks in general and the S&P 500 in particular. Currently, the S&P 500 is a two-tier market distinguished by five individual stocks trading at extremely high valuations and making up an outsized weighting of the entire index.[3] Historically, this has often been a precursor to challenging future investment returns. We believe that it could be argued that MLPs are a lower risk investment trading at sizeable valuation discounts to their historical norms, paying hefty dividends that have historically high cash flow coverage, strong balance sheets that are getting stronger, significant share buybacks, and management teams dedicated to returning free cash flow to shareholders.

The July 2, 2023 issue of the financial weekly publication, Barron's, said it succinctly, *"Pipelines were once a tough sell but obsolescence fears have subsided as investors recognize the ongoing need for U.S. oil and gas. And, with pipeline networks almost entirely built out, the companies won't have to spend much beyond upkeep, resulting in ample cash flow to support payouts. And what payouts they are. Yields are now 8%."*



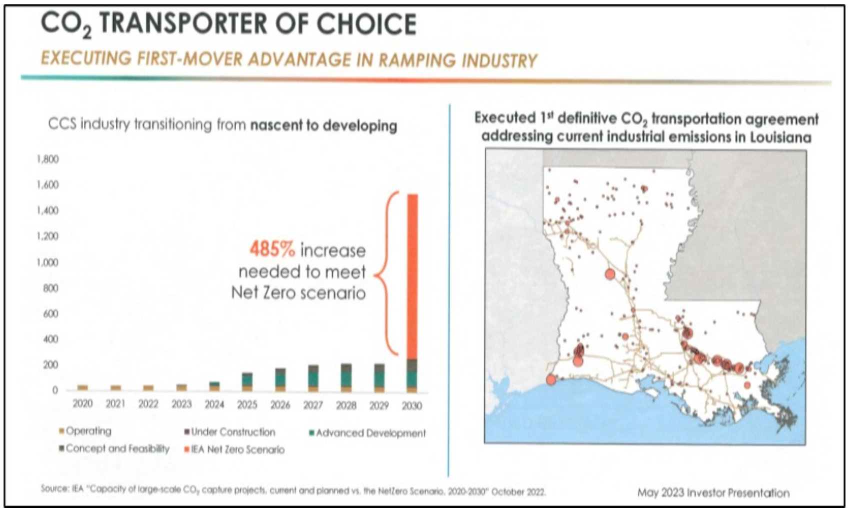
"High cash flow is also leading to more buybacks formerly a rarity among pipelines – and the companies could capitalize on the energy transition by using their pipes to carry hydrogen or carbon dioxide."

We recently attended, as we do every year, the Energy Infrastructure Council's (EIC) annual conference. This industry sponsored two-day conference never fails to inform and provide helpful insight.

This year's conference was dominated by presentations and discussions around the recently enacted federal infrastructure legislation. The Inflation Reduction Act (IRA) will have enormous implications for MLPs in the future. One very large aspect of the legislation is carbon capture and sequestration (CCS). The legislation will stimulate investment through lucrative government cash payments for the capture of carbon dioxide (CO_2), the transport of such captured CO_2 and the permanent storage of CO_2 underground. This technology is not new and can be implemented

[1] West Texas Intermediate Spot [2] Henry Hub [3] Today, the largest five stocks by market capitalization in the S&P 500 represent a total weighting of 24% of the entire Index.

rapidly. It will leverage existing MLP infrastructure and play well to MLP core competencies; namely transport and storage. We have recently written a separate white paper on CCS that is available on request.



Source: Enlink

Another important insight gleaned from the EIC conference was the attractiveness of compression. Compression is used to boost pipeline capacity by adding large horsepower compressors to an existing pipeline. With current natural gas pipeline capacity fully utilized in the Permian Basin, natural gas production growing in that region, and new pipeline investment constrained, demand for compression is strong. Like their pipeline peers, compression companies are being disciplined in their own capital budgets in part due to wait times of six months or more from overbooked compression engine manufactures. As a result, compression companies are seeing better pricing and contract terms. Growing cash flow is being allocated to debt repayment, dividend growth and share buybacks.

Finally, we'd like to touch on the first hint of regulatory softening towards pipelines. Late in the second quarter, an eleventh hour deal was struck between Republicans and Democrats on the federal debt ceiling. As part of the legislation, Congress intervened over the courts and regulatory agencies to approve the long delayed and 97% completed Mountain Valley Pipeline (MVP). MVP will allow shut in gas from Appalachia to get to market. We expect it to be completed and operational by early 2024. This is good news for several of our MLPs with Marcellus Basin assets. It will allow them to grow at a faster rate.

As part of the debt ceiling negotiations, a provision to grandfather solar and wind assets into the MLP structure was removed at the very end of negotiations. It has been attempted in previous years, but has never been this close. We are hopeful it eventually happens. Wind and solar assets in a contracted business model with strong counterparties would make for a very interesting infrastructure investment proposition.

DISCLOSURES

- The S&P 500 Index includes 500 major companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities.

- The Alerian Total Return Index is a composite of approximately 30 of the most prominent energy Master Limited Partnerships that provides investors with an unbiased, comprehensive benchmark for this asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated on a total-return basis (NYSE:AMZX).

- The Bloomberg U.S. Aggregate Bond Index provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, non-convertible, and taxable.

- The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

- The Dow Jones Equity REIT Total Return Index is comprised of REITs that directly own all or part of the properties in their portfolios. Dividend payouts have been added to the price changes. The index is quoted in U.S. dollars.

- The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australia, Israel, and the Far East.

- If applicable, any and all performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. Current performance may be lower or higher than the performance quoted. Returns for performance under one year are cumulative, not annualized.

Source of index definitions: Bloomberg