

Tortoise QuickTake Podcast with James Mick

August 24, 2015

Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

There's a famous quote attributed to Mark Twain that says, "the reports of my death have been greatly exaggerated". At a large MLP investor conference that we just attended this past week, one of the more prominent management team's applied the quote to the midstream space. Very appropriately in our view, given the recent carnage.

However, given the importance of energy to our economy, both at a macro and micro level, I would take that a step further and extend it to all of energy.

I'm James Mick, managing director and portfolio manager with Tortoise Capital. Thanks for joining us today.

Twain was noted for his wit and humor, but there hasn't been much to laugh about in the energy markets over the last week.

Probably the biggest change has been the extension of weakness in energy to weakness in the broader stock market, as the S&P 500 also came under pressure, down almost 6% for the past week. Most speculated this was due to continued emerging market growth concerns, specifically China.

As for energy markets.... Last week:

- The broader S&P 500 Energy index was down 8.5%
- Exploration and production companies were down 9.6%
- MLPs were down 5.5%
- And crude oil actually had a 3 handle on it during trading Friday, while finishing down another 5% for last week to close at just over \$40

The combination of various concerns has clearly led energy investors to be extremely wary, including:

- Concerns around slowing global growth
- Resilience in US shale oil production
- OPEC out-producing their stated quota
- The potential return of incremental Iranian oil production
- And the ever present paper trade in crude oil

Despite that laundry list, there are bright spots within energy. Record miles driven and exceptionally strong gasoline demand continue to benefit refiners and refined product pipeline companies. Natural gas demand remains strong as it continues to take share from coal for power generation.

Looking more internationally, Chinese crude oil demand remains positive, despite the negative headlines. And while it's difficult to determine what exactly is being consumed and what is being used to build reserves, gasoline demand is very clearly robust, up 17% year over year for the month of July.

On the regulatory front, the EPA proposed rules to lower methane emissions. This was largely expected and should have very little impact as most companies have already adopted technology to comply.

Additionally, the Obama administration has elected to allow exports of crude oil to Mexico, albeit limited, in what are essentially swaps of different grades of crude for a certain amount of time. We view this as favorable in terms of the government moving closer and closer to eventually allowing outright exports of crude oil in the future.

Sentiment remains negative, but we believe the value within select energy stocks is attractive. We feel this is an opportunity to prudently put cash to work when the market is most negative.

In fact, all managing directors and various other employees have purchased Tortoise products during this downturn.

To close with another quote from Twain, “Whenever you find yourself on the side of the majority, it is time to pause and reflect.”

Thanks for listening. We will talk to you next week.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

Disclaimer: *Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include “forward-looking statements.” All statements, other than statements of historical fact, included herein are “forward-looking statements.” Although Tortoise Capital Advisors believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intent.*