# Tortoise QuickTake Podcast

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**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.**

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MLPs had another tough week in spite of steady oil prices as the Genesis distribution cut Brian talked about last week continued to weigh on the MLP space. The market found some footing Thursday (albeit short-lived) after a host of positive distribution announcements. I use the term "positive" loosely. what I really should say is "in-line" but it has certainly felt more positive. Shell, PSXP and NuStar all outperformed Thursday following distribution bumps of 5% each for the first two and flat distribution for the last. The three distribution announcements were right in-line with our expectations but we think they traded up simply because the market had some concern that they would slow growth of the distribution, or in the case of NuStar, reduce the payout. Other positive midstream announcements included Valero's 5.5% bump along with Magellan and Andeavor bumping 1.5% each on a sequential basis. We believe distributions remain important to long-term MLP investors and serve as a signal of a healthy business outlook from management teams. Therefore as companies have slowed growth or even reduced payouts to become less dependent on equity capital markets it has caused choppiness. These comments are somewhat repetitive from Brian's podcast last week but given the market weakness I want to reiterate that while some companies have clearly had their own issues, the fundamentals continue improving for the group as a whole. Per unit cash flow for the Tortoise Midstream Index continues to grow, and a company's decision on how much of that cash flow to pay out doesn't change the intrinsic value of that cash flow. That said, clearly it is causing some short term dislocation and this wasn't helped last week by investors positioning for BP's $850 million midstream IPO.

Moving on beyond distribution announcements, there was other noteworthy midstream news.

- First FERC approved Dominion's Atlantic Coast Pipeline and EQM's Mountain Valley Pipeline and Enbridge received the Presidential Permit for Line 67 which crosses the U.S.-Canada border
- Next, Cheniere announced the Sabine Pass Train 4 is in service ahead of schedule
- And Holly became the latest company to ditch the IDRs swapping their parent company for 37.25 million common units; this equates to a take-out multiple of 14x based off 2018 IDRs avoided

  – Importantly management stated on the call they intend to continue growing the LP distribution at the current 8% annual rate with coverage of 1-1.2x and leverage at or below 4x

Moving to inventory data, the EIA reported yet another big crude draw of 5.7M bbls fueled by nearly 2M bpd of exports while hurricane production shut ins were nearly totally offset by a drop in refinery run-rates. The bearish piece of data was product builds despite lower refinery utilization which implies weaker demand. It's only one week of data but nonetheless we will keep our eyes on this.

I'll wrap it up with earnings which kicked off last week. First, Kinder Morgan reported Wednesday with numbers that were in-line and volumes which were up for refined products and gas pipelines while crude volumes were negatively impacted in the Eagleford because of Hurricane Harvey. Also, their previously announced plans for dividend increases and a stock buyback were reiterated. Meanwhile, oilfield service heavyweights Baker Hughes and Schlumberger reported in-line quarters but tempered expectations a bit. Earnings activity really picks up the next two weeks so stay tuned for more updates. Thanks for listening.

**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@tortoiseinvest.com.**