U.S. Energy Infrastruc-ture Aktien

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TELOS GmbH

Changing Global Energy Landscape Creates U.S. Energy Infrastructure Opportunity

For most of us, our daily routine starts by waking up in a temperature controlled home followed by the simple task of turning on our lights as we prepare to start the day. From there, many of us use our cars to fulfill our work, parental, or other responsibilities during the day. We return to the comforts of our home and enjoy the benefits of the electricity that powers our televisions and home computers. The energy used to heat and cool our homes, drive our cars, and power our computers is a basic necessity enjoyed across all developed economies. Due to the recent low cost of energy, many in emerging and developing countries are sharing similar enjoyments as well.

United States is transforming the energy landscape

Who is helping reduce the cost of energy? The U.S. The global energy landscape is changing as the U.S. is becoming a larger supplier of low cost energy to the rest of the world. 2016 was first year that the U.S. exported U.S. produced crude oil, liquefied natural gas and a natural gas liquid called ethane. We are entering a new era in the energy sector. We are in a transition period as U.S. shale oil and gas is a disruptive technology that is changing the global energy landscape. Over the next decade, we expect the U.S. to significantly increase the volume of crude oil, natural gas and natural gas liquids exported to countries around the world.

Investing in Essential Assets - Energy Infrastructure

For international investors, a way to participate in the emerging U.S. energy story is by investing in publically-traded U.S. energy infrastructure companies. What makes energy infrastructure such a compelling investment opportunity in our view? First, global energy consumption has generally been increasing every year. In fact, according to the Energy Information Agency (EIA) energy consumption has increased in 29 out of the last 30 years. Second, the cash flows of U.S. energy infrastructure companies are driven by volumes rather than commodity prices, making energy infrastructure cash flows less volatile than traditional energy companies such as oil and gas producers. Third, significant capital investment is being made in new U.S. energy infrastructure projects which is expected to result in future dividend growth. At Tortoise, we estimate $110 billion of capital investment in new U.S. energy infrastructure projects over the next three years. There are several types of energy infrastructure assets including:

- Natural gas pipelines – transport natural gas from production areas like the Marcellus Shale to the Gulf Coast where the volumes are exported through a liquefied natural gas facility
- Refined products pipelines – transport gasoline, diesel and jet fuel from refiners on the Gulf Coast to demand centers in the northeast United States
- Crude oil pipelines – connect growing production volumes in places like the Permian Basin to refiners along the Gulf Coast

Energy infrastructure companies serve an important role as they own the pipelines that are the critical link between the areas of oil and gas supply and demand. Often these pipelines extend thousands of kilometers across the United States.

The next question that we often get is what are our return expectations? At Tortoise, we believe U.S. energy infrastructure companies offer investors a low double-digit return potential (10% - 15%) generated by a combination of current income and dividend growth. When you combine this return potential with the steady fee-based cash flows-based business model, we believe investing in U.S. energy infrastructure offers a compelling risk/reward relationship.

The last and most interesting question is - Are international investors investing in U.S. energy infrastructure? Generally, the answer is no. Most energy infrastructure outside of North America is owned by a government or a large integrated oil and gas producer. In the U.S., the critical energy infrastructure networks are owned by publicly listed companies such as the two largest mid cap energy infrastructure corporations, Kinder Morgan and Enbridge. In aggregate, we estimate that there are 62 publicly listed corporations with a combined market cap of $427 billion.

The U.S. energy sector serves a basic need and is vital to every sector. We believe we are moving into a new era of low cost energy that could significantly boost global economic growth. In our view, U.S. shale oil and gas is here to stay, but requires critical energy infrastructure to reach its end delivery point. The U.S. energy infrastructure sector, in our view, offers a compelling path to invest in the increasing volumes of U.S. oil and natural gas without having to be concerned with the volatility of commodity prices.

About Tortoise Capital Advisors

Tortoise Capital Advisors is one of the largest managers of registered energy infrastructure funds. The firm provides investment management services to individuals and institutions through registered investment vehicles, private funds and separately managed accounts, which are dedicated to investments in listed securities within the North American energy value chain and beneficiaries beyond. Tortoise's newly-launched, UCITS-compliant Tortoise North American Energy Infrastructure Fund provides access to real, long-lived assets that are essential to the functioning of the North American and global economies. The strategy invests mainly in pipelines, storage, gathering and processing facilities and export terminals. For more information, visit www.tortoiseinternational.com.

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