**MIDSTREAM MLP SECTOR UPDATE**

Stock and Energy Market Environment

The entire energy sector is being dragged down by concerns over a slowdown in global growth.  With increasing evidence of economic weakness in China and Germany and an inverted yield curve, demand forecasts for crude oil demand are being questioned. Price volatility and increased uncertainty are the result.

Complicating matters further are weak natural gas prices and disappointing financial results from domestic producers.  E&P companies that are outspending their operating cash flows are going to be slowing their development efforts, as their stocks are being punished by investors. Midstream companies with gas gathering operations may feel an impact.

MLP Market

Midstream companies have been reporting solid quarterly results, and we are pleased with the progress that we see in operating results and distribution announcements. Bellwether Energy Transfer had a notable upside surprise.  Strengthening finances with the flexibility to allocate free cash to further debt reduction, accelerated distribution growth or share buybacks characterize the leading companies in the sector.

The yield on the benchmark index remains over 8% as most of the year-to-date returns have been given back in recent weeks. Press reports of ongoing merger & acquisition talks lead us to believe that deals highlighting valuation discounts are coming.

We may see a modest deceleration of the growth rate for oil and gas production in 2020, but our optimistic outlook is basically unchanged.  Major projects are being completed over the next 12-18 months and cash flows will benefit.  We are not looking for a recession in the near-term, and we think rising demand will continue to support increased levels of oil and gas production.

The market psychology is brutal but we think good results will pull us out of this fog.