MLP & Midstream Energy Income

QUARTERLY REPORT 2Q 2026

THE MIDSTREAM INDUSTRY HAD A STRONG start to the year, outperforming the overall market during the first quarter. However, midstream trailed during the second quarter, as investors were concerned that higher oil prices could negatively impact the economy. In addition, investors continued to pile into tech stocks. But midstream tailwinds—primarily data centers and liquefied natural gas (LNG) exports—continue unabated and, longer term, may be stronger due to the war in the Middle East. We believe countries worldwide will look increasingly to North America to provide reliable, secure, and safe energy. We also believe there should be a greater premium for US energy infrastructure, particularly given the disruptions (low inventories, damaged facilities) caused by the war in the Middle East. Natural gas infrastructure, in particular, has become more valuable, in our opinion.

Looking Ahead

The war may have provided further growth to the LNG export tailwind. While there was concern that US LNG facilities could be overbuilt through the end of the decade, with some of Qatar's LNG export facilities offline for the next three to five years, this concern has eased. Natural gas is not the only commodity benefitting from this tailwind. During the quarter, a midstream company announced a significant increase to one of its ethane, butane, and propane export facilities. We believe over the coming quarters and years, we will continue to see project announcements around increasing export capabilities for natural gas and its byproducts.

In addition, despite public and regulatory pushback, the data center buildout has continued. We have seen long-term contracts with midstream companies to provide natural gas directly to data centers. We believe investing in natural gas midstream companies is a good way to participate in this theme.

According to the EIA's most recent natural gas pipeline project report, companies plan to add 17 billion cubic feet per day (Bcf/d) of pipeline capacity in 2026, 28 Bcf/d in 2027, and 31 Bcf/d in 2028. If all the 2028 projects become operational, this will represent the biggest buildout since 2008 (45 Bcf/d).

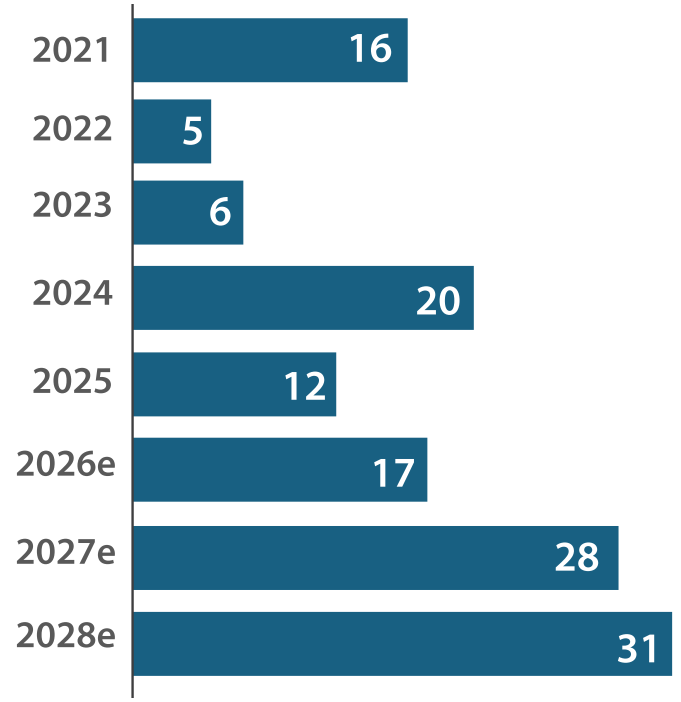
Portfolio Highlights

- **Distribution increases:** This quarter 4 of our 16 holdings announced dividend increases. The average increase was 4.2% year-over-year.
- **Sales:** We trimmed **Genesis Energy (GEL)** as offshore Gulf of Mexico projects have had a slower ramp-up than expected, negatively impacting EBITDA growth.
- **Buys:** We increased our position in **Sunoco (SUN)** as we believe the company is well positioned on income, growth of income, and financial strength.

We believe the midstream sector is well positioned going forward due to these tailwinds. Eventually, when these projects become operational, we expect to see the cash flow generated providing for lower leverage (higher EBITDA, potential debt paydowns), higher distribution growth, and potentially share buybacks.

Natural Gas Pipeline Capacity is Growing

Annual Additional Capacity (Bcf/d)



As of May, 2026. Sources: EIA; Miller/Howard Research & Analysis.

Miller/Howard INVESTMENTS

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MLP & Midstream Energy Income Leaders and Laggards

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LEADERS ◊

Western Midstream: The company reported a strong EBITDA beat and announced a $1.6B acquisition.

Sunoco: Increased the distribution by 10.3% Y/Y and the free cash flow (FCF) yield continues to improve.

Targa: EBITDA was raised as volume growth remains very strong.

Plains All American: The company raised guidance on an improved crude volume outlook.

TC Energy: Earnings were in line with expectations, and the company reaffirmed 2026-2028 guidance. Several new projects were announced.

LAGGARDS ◊

Genesis Energy: Earnings disappointed as offshore volumes were lower than forecasted.

Cheniere Energy: The stock declined later in the quarter, as momentum from the war in Iran trade reversed.

Enterprise Products: Earnings were in line, but capex was once again increased.

Hess Midstream: Earnings were in line, but there are concerns the sponsor could try to renegotiate contracts.

Kinder Morgan: Earnings were above consensus, as we await further data center announcements.

◊ By contribution to return. To obtain our methodology for calculating the best- and worst-performing securities, as well as a list of the contribution to performance of each security listed, please call us at 845.679.9166. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. This list is not a recommendation to buy, sell, or hold these securities.

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