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

Hello. I am Tortoise Managing Director and Portfolio Manager Rob Thummel with this week's Tortoise QuickTake podcast.

I hope everyone had a safe 2020 Independence Day.

In the energy sector, the fireworks show kicked off Sunday night when Dominion Energy announced an agreement to sell its natural gas transmission and storage assets to Berkshire Hathaway. The transaction is valued at nearly \$10 billion including assumption of debt. Analysts estimate the enterprise value to EBITDA multiple to be around 10 times. The transaction is expected to close in the fourth quarter. Why is Dominion selling? Dominion wants to be a more pure-play regulated electric and gas utility. How does this benefit Berkshire? Berkshire increases its market share in the interstate natural gas transmission line sector now transporting 18% of natural gas up from 8% prior to this transaction. In my opinion, this transaction highlights Warren Buffett and Berkshire's positive long-term view on the importance of natural gas and the role that natural gas pipelines play in the energy transition. At Tortoise, we share a similar view with natural gas will play an important as the world consumes more energy yet demands less carbon. Natural gas pipelines are core to our energy midstream strategies.

In addition, Dominion announced along with Duke Energy the cancellation of the Atlantic Coast Pipeline, a 600 mile natural gas pipeline that was proposed to transport gas from West Virginia to North Carolina. Increased regulatory and execution risks making the project potentially uneconomic were the primary reasons cited for the cancellations. 90% of the pipelines capacity was committed to by customers. These customers will likely need to find an alternative way to transport their natural gas. Existing pipelines operated by companies in our portfolio such as Williams, Equitrans, Enbridge, and Kinder Morgan will likely benefit from the cancellation of the Atlantic Coast Pipeline.

In other news, BP agreed last week to sell its petrochemicals business to INEOS for \$5 billion. This transaction was part of BP's slogan of reimagining energy, reinventing BP. In its annual statistical review, BP CEO highlighted the full range of zero and low carbon energies that BP and others are attempting to speed up the pace and scale. These include renewables energies, electrification, hydrogen, carbon capture, and bioenergy. At Tortoise, we are constantly analyzing the pace and scale of emerging energy technologies to determine how the companies that we invest in can participate in the energy evolution process that is underway.

One last bit of news. Matt Sallee highlighted the bankruptcy filing of Chesapeake Energy in a podcast last week. A few more details emerged on its potential impact to midstream contracts. In general, we do not believe that this bankruptcy will have a material impact on the midstream sector. Chesapeake has filed to reject a couple of pipeline contracts. Generally, the court would reject a contract if the rate of the contract is above prevailing current market rates. We believe that energy infrastructure is critical for Chesapeake to generate revenue going forward and most of the midstream contracts are at or below current market rates.

Before I wrap up, last week marked the end of the second quarter. It felt like one of the longest quarters in history yet the S&P 500 delivered one of its best quarterly performances of all-time. The energy sector outperformed the S&P 500 in the second quarter rising by 31%. Energy infrastructure as represented by the Alerian Midstream Index outperformed the energy sector rising by 33%. Investors continually ask us what is the most compelling attribute of the midstream sector currently. Right now the answer has to be the current income or yield offered by the midstream sector. The current yield of the Alerian Midstream Energy Index is approximately 10%. The dividend yield of the S&P 500 is 2%, so clearly the energy infrastructure sectors offer investors a great opportunity to capture current income in a period when Treasury yields are low and yields are expected to remain low at historically low levels in the future. The macro factors that impacted the energy sector in the first half of 2020 such as declining global energy demand and global oil oversupply are expected to turnaround in the second half of 2020. So, what are the key drivers for the second half of 2020 in the energy sector. First, global energy demand gradually returns as economies revive. Second, global oil markets shift from being oversupplied to being undersupplied and that results in global oil inventories approaching normal levels. Third, U.S. energy companies stay disciplined, cut capital expenditures, and return capital to shareholders. The companies that are poised to lead the

energy sector positioning themselves to deliver free cash flow that will be returned to investors in the form of dividends and stock buybacks over the next decade.

Those are the highlights from last week. 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.

Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return (AMNA), total-return (AMNAX), and net total-return (AMNAN) basis.

S&P Energy Select Sector® Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products.

S&P 500® Index is an unmanaged, market-value weighted index of stocks that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

It is not possible to invest in an Index.

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