# Tortoise QuickTake Podcast with Matt Sallee

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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.**

Welcome to a very special leap-day Tortoise QuickTake podcast highlighting recent energy market events. I am Matt Sallee, Managing Director and Portfolio Manager at Tortoise Capital Advisors.

MLPs and oil continued the positive momentum last week stringing together 2 positive weeks….an extremely rare treat as of late.

For the week oil gained 10.6%,
E&Ps were up 2.6%,
MLPs picked up 4.2%,
and, the S&P energy index increased .4%.

We are nearly complete with earnings season and for our MLP holdings numbers generally came in a little better than our estimates. Specifically, on a weighted average basis our portfolios saw distribution growth 3% sequentially and north of 10% year over year while generating 1.3x distribution coverage, supported by roughly 20% year over year growth in cash flow per unit.

Broadly for energy earnings, key discussion topics for all segments of the value chain included capex reductions, capital market access and credit ratings. For upstream companies there is an acute focus on living within cash flow and the production volume outlook that will result. For midstream beyond the previously mentioned topics, counterparty risk and volume outlook were discussed in detail. Downstream included a great deal of commentary on cost cutting for oil field services companies and in spite of lower margins, refiners and petchems continue to generate significant free cash flow which is being distributed to shareholders through dividends and buybacks.

As I mentioned credit ratings and capital market access are front and center right now for the energy sector. After several downgrades the prior week, Moody's struck again downgrading several names between 1 and 4 notches. Devon (the lucky recipient of the 4 notcher), Enlink and Marathon Oil all went from Investment Grade to High Yield. In a positive development S&P affirmed Williams Partners BBB- credit rating, removing them from creditwatch negative. This is due to Chesapeake stating its intent to pay their March 2016 maturity and the fact that they have already bought back about half of the issuance in the open market.

On the capital markets front the torrent of E&P equity offerings rolled on last week with Cabot and Newfield completing offerings...but we also had the first public midstream offering of the year with Enbridge pricing a $2B deal and a downstream issuance at Nextera Energy Partners. On the debt side, Magellan issued $650M of 10 year notes with a 5% coupon. What was encouraging was that the raise was completed just hours after announcement, was upsized and was 4x oversubscribed.

Also last week the EIA's weekly report showed that domestic production declined for the 5th straight week…oil production is now down 130 mbpd since mid-January. And finally I'll leave you with a fun fact I came across as I was going thru the morning deluge of emails that is one of my life's daily joys. The oil rig count was down 67 rigs during February to end the month at 400 rigs. If we continue at this pace there will be zero oil rigs running in our country by late summer. And with that uplifting thought, I'll wrap up this week's podcast. 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@tortoiseadvisors.com

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