

# Tortoise QuickTake Podcast with Matt Sallee

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March 22, 2016

**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.**

I am Matt Sallee, Managing Director and Portfolio Manager at Tortoise Capital Advisors. Let's start by acknowledging the terrorist attacks in Brussels this morning. We would like to say our thoughts and prayers are with those affected.

MLPs and oil continued the positive momentum last week and have now bounced 36% and 30%, respectively off the February 11th bottom. This positive performance was enough to bring oil back to \$40 for the first time since just after Thanksgiving last year.

For the week oil gained 2.4%

E&Ps were up 3.8%

MLPs picked up 4.9%

And the S&P energy index increased 2.5%

In an otherwise quiet week last week, the big news was the official announcement Thursday of TransCanada's acquisition of Columbia Pipeline Group for \$25.50 per share. The deal's potential had leaked the previous Thursday and Columbia had been floated as a takeout candidate since it was spun out of NiSource last summer so this deal was not a huge surprise. However, what is a question mark at this point is what this means for Columbia Pipeline Partners, or CPPL, which was not clearly addressed in the merger announcement and related call. As we all know the market hates uncertainty and CPPL has significantly underperformed over the last two weeks. And while we are hopeful that management will provide more clarity on CPPL's future following the proxy filing, it's worth noting that our review of the merger agreement indicates they do intend to grow the distribution at a 20% annualized rate through at least Q1 of 2017.

Moving onto capital markets news, Targa announced the upsize of its previously announced 9.5% Series A preferred security which doubles the offering size to \$1B as well as Whiting announced the exchange of over 400 million of multiple series of unsecured notes for new convertible notes. This exchange allows the company to reduce debt and issue equity at a premium to its current trading price.

Regarding oil fundamentals, the rig count increased by one last week marking the first week since December that the oil rig count didn't decline. The US oil rig count is now down just over 75% from its peak in October 2014. The EIA's weekly inventory report showed yet another build though smaller than recent weeks as imports dropped a bit from stubbornly high levels. On the positive side, refined product demand remains strong and gasoline and distillate inventories drew last week, marking the fourth straight week of gasoline draws. Additionally, net refined product and LPG exports have been hovering at an all-time high north of over 2.4M bpd. One final note on oil fundamentals...production continues to decline with last week's EIA report (albeit at a painfully slow rate) and production according to these weekly figures is now down about 550,000 bpd from its early 2015 peak.

So while the market generally has been moving in the right direction and we firmly believe prices will move higher throughout the year, we caution patience on a meaningful recovery and note we continue to expect volatility in the near term.

That wraps 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](mailto:info@tortoiseadvisors.com)

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