

NORTH AMERICAN MIDSTREAM ENERGY STRATEGY



DIVIDEND ASSETS CAPITAL - INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

NORTH AMERICAN MIDSTREAM ENERGY COMMENTARY

1st Quarter 2019

After sharply declining in the last quarter of 2018, the major equity indices recovered during the first quarter of 2019. The S&P 500 Index (SPX) ended the quarter with a price only return of 13%; its best first quarter since 1998. The Brent crude oil active contract price returned 24% during this period, while the U.S. oil benchmark (WTI) active contract price ended the quarter with a 29% return. The Fed's policy shift from raising rates in 2018 to pausing rate hikes and being patient helped to boost the rally in risky assets and pushed the 10-year treasury yield to 2.4%; a level that hasn't been seen since the end of 2017.

The Alerian MLP Index (AMZ) delivered a 16.8% total return for the quarter, while the Alerian Midstream Energy Index (AMNA), which covers a broader range of midstream companies (including c-corps), delivered a return of 22.15%. Midstream c-corps led the performance, which was partially due to several simplification transactions that closed during the first quarter. A strong oil price recovery, as well as investor appetite for more "risky" assets also contributed to the strong performance of the midstream energy space.

Looking forward, we believe that rig counts should stabilize soon, with modest growth for the rest of the year, implying a continuation of growth in oil and gas production. Additionally, refinery inputs are expected to increase as we head towards the summer driving season and ethane prices should improve as major crackers come online in the second half of this year. Overall, we expect the midstream energy space to perform well in this demand-driven environment. Our midstream energy strategy is well positioned to capture any improvement in midstream sentiment.

Past performance is not indicative of future results. You should not assume the future performance of any specific investment or strategy will be profitable or equal to past performance levels. No stock trading system or strategy can guarantee profits. The risk of substantial loss exists in equity and MLP trading and equity and MLP investments are not suitable for all investors.

S&P 500 refers to the Standard and Poor's 500 Index which is a capitalization weighted index of 500 stocks. Individuals cannot invest directly in the S&P 500 Index.

The Alerian MLP Index (AMZ) is a widely recognized, unmanaged index that includes a composite of the 50 most prominent energy MLPs. The Index returns do not reflect the deduction of expenses, which have been deducted from the net returns. The Index return assumes reinvestment of all distributions and does not reflect the deduction of taxes and fees. Individuals cannot invest directly in the Index.

The Alerian U.S. Midstream Energy Index (AMNA) is a broad-based composite of US 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 basis (AMNA) and on a total return basis (AMNAX). Individuals cannot invest directly in the Index.

WTI (West Texas Intermediate) is used as a benchmark in oil pricing.

Brent (Brent Crude) is a trading classification of sweet light crude that serves as a benchmark for oil pricing.

You should carefully assess your objectives and risk tolerance before investing. Certain information and statistical data contained herein have been obtained from third party sources that we believe are reliable but have not been independently verified. DAC assumes no liability for errors and omissions in the information contained herein. Information provided is as of the date of this report and subject to change at any time.

DAC does not provide professional tax or accounting services or advice. You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses before investing. The Firm's Investment Adviser Brochure, Form ADV Part 2, contains this and other information about the Firm, and should be read carefully before investing.

DIVIDEND ASSETS CAPITAL, LLC is a privately held registered investment advisor located in the Low Country of coastal South Carolina. We were founded in 2003 by several investment professionals each sharing the desire to provide clients with a sound investment philosophy using energy related Master Limited Partnerships (MLPs) and dividend growth equities. From its humble beginnings of five employees, the firm now includes a staff of fifteen.

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