

North American Midstream Energy Strategy

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

COMMENTARY

2nd Quarter 2019

The midstream space, which is measured by the Alerian MLP Index, finished the second quarter slightly positive despite the volatility we experienced in April and May. At the end of the quarter the estimated dividend yield was about 7.98%; well above the 10-year index average of 6.9%. In terms of total return, this marked two straight positive quarters and four positive quarters out of the last five.

The instabilities we experienced during the second quarter were driven by two very different macro themes. From a domestic standpoint, crude oil production is near its all-time high. The U.S. is producing over 12 million barrels per day and there are continued reports about a weakening outlook for increased global demand. Secondly, tensions around the Persian Gulf have continued to increase as the U.S. and Iran continue their saber-rattling. It is estimated that up to 1/5 of the daily global oil consumed is shipped through the Persian Gulf. The net impact of these two opposing forces has caused some unusual swings in the price of oil during the quarter, with the price declining at the beginning, only to move back up at the end of the quarter.

As for the midstream energy infrastructure space, the quarter has been a bumpy ride. In addition to the issues surrounding oil, the perennial debate around whether or not we have enough infrastructure to handle the current and future energy production in the U.S. continues. It should come as no surprise that we firmly believe North America is still short of the infrastructure needed, as certain events during the quarter highlighted this view. The explosion and the subsequent impending closure of the largest refinery complex in the Northeastern United States has emphasized just how necessary pipelines are to ensure the timely and continued delivery of petroleum products to all users. With the loss of 335,000 barrels per day of refining capacity, the Northeast fuel supply is now more reliant than ever on the network of pipelines, rail, truck terminals and ports to ensure a steady supply of refined products. For the public, this has helped clarify just how vital energy infrastructure companies are, and continue to be, to our society.

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.

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 (AMEI) 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 (AMEI) and on a total return basis (AMEIX). 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. The opinions expressed herein are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Forward looking statements cannot be guaranteed. 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 thirteen.

To contact us

<http://www.DACapitalSC.com>
(866) 348-4769 Toll Free
(843) 645-9700 Local
(843) 645-9701 Fax

For more information

contact our management team
(843) 645-9700
Peter G. Gerry, III
pgerry@dacapitalsc.com
Ying "Susie" Wang, CFA®, CIC®
swang@dacapitalsc.com
C. Troy Shaver, Jr.
tshaver@dacapitalsc.com

To receive a current ADV Part 2

free of charge, please visit
<http://www.DACapitalSC.com> or
send an email to:
complianceteam@dacapitalsc.com



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

58 RIVERWALK BOULEVARD
RIDGELAND, SC 29936-8126

Copyright © 2019 Dividend Assets Capital, LLC