DIVIDEND ASSETS CAPITAL, LLC

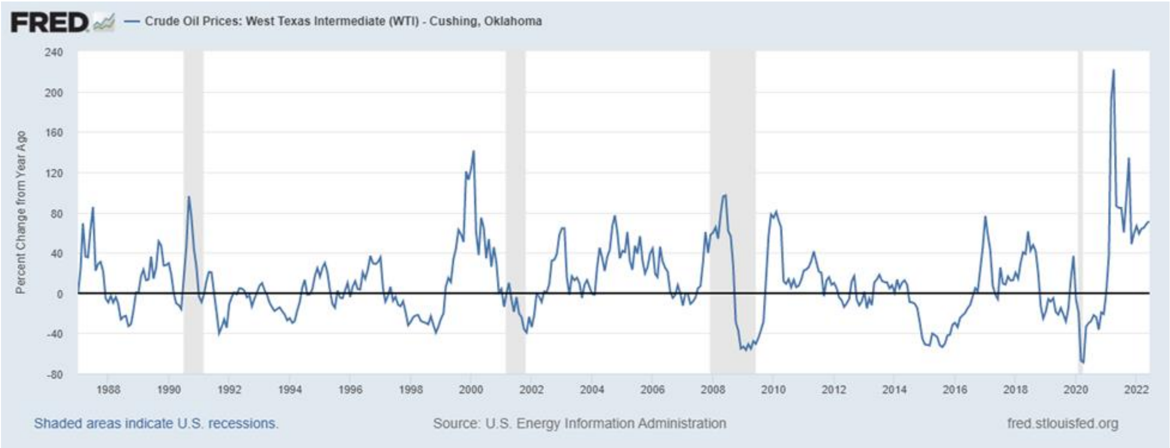
INVESTMENT ADVISORS

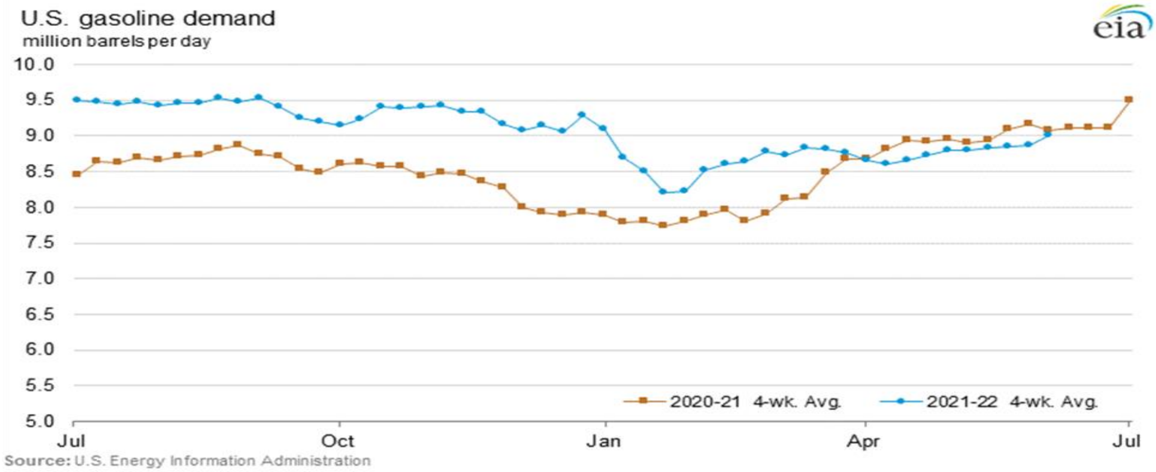
Energy Investor Monthly: June 2022

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

Insights of the Month: Oil Prices and Recessions

Since 1986, there have been four recessions according to the Federal Reserve. Except for the recession of 2020, all of these were either preceded by or began with a near doubling of the year-over-year price in oil. The recession that lasted from July of 1990 through March of 1991 saw a 96% YoY increase in September of 1990; the recession that lasted from March through November of 2001 saw a 141% YoY increase for February 2000; the recession that lasted from January 2008 through December of 2009 saw a 97% increase YoY. Since March of 2021, the YoY price of oil had doubled 3 times, +192%, +222%, and 134% for March, April, and October of 2021, respectively. While these more recent changes can be attributed to the easing of COVID restrictions that began in March of 2020, the price of oil has continued to increase significantly, with the June 2022 price increasing 71% YoY.

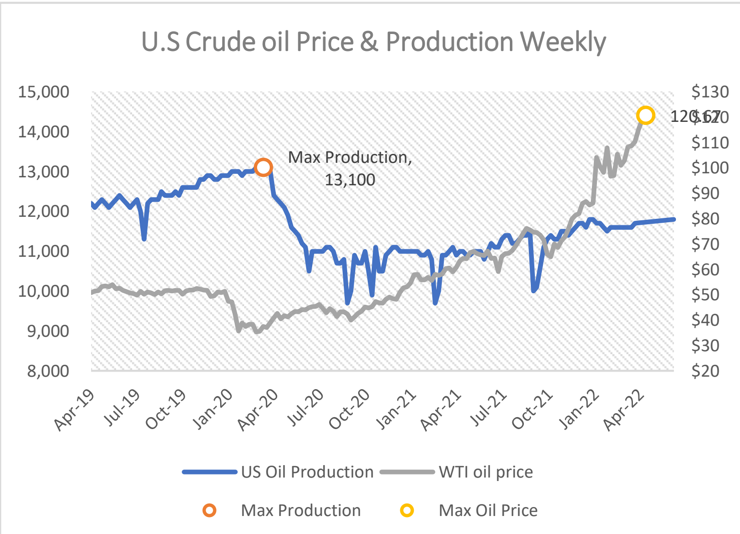


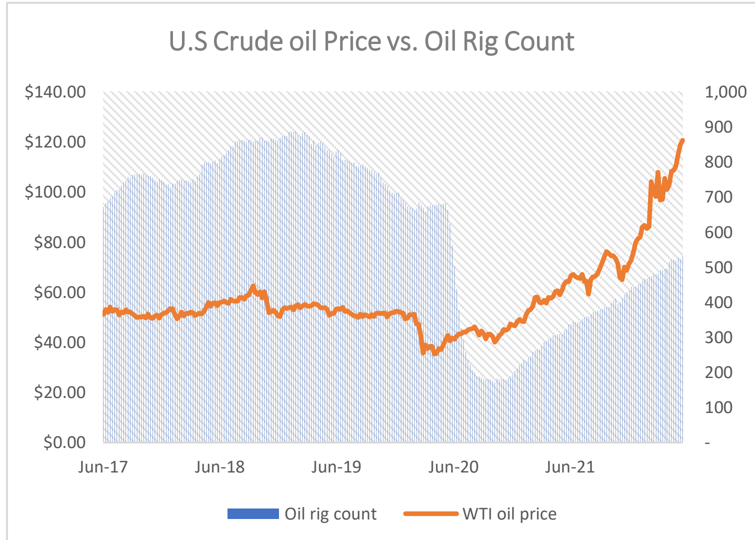


Hand in hand with rising oil prices are rising gasoline prices. While demand for gasoline tends to be inelastic in the short-term, daily gasoline demand has fallen year-over-year, based on the 4-week average from the Energy Information Administration, from April through the beginning of June. This has happened only two other times in the past 10 years, in 2020 and in 2013. The fall in 2020 can be attributed to the implementation of COVID restrictions, while the 2013 decline was part of a trend that started in 2009, during the "Great Recession". Since this current decline in demand can't be attributed to a slow economic recovery from a recession or the quarantine of the country's population, the most obvious cause then would be prices. While this could be that people are modifying their behavior to adjust for the higher prices, another cause could be that these high prices are beginning to slow economic activity. This combined with the historical correlation between year-over-year doubling in oil prices and recessions, means we could be on the verge of a significant economic downturn, if not a recession.

U.S. Total Crude Oil Production and U.S. Crude Rotary Rig Count (as of June 3, 2022):

1. West Texas Intermediary (WTI) oil price was $118.87 per barrel (+8.3% m/m).
2. U.S. oil production was 11.9mm bbl/d (+0.8% m/m).
3. U.S. oil rig count was 574 (+3.1% m/m).

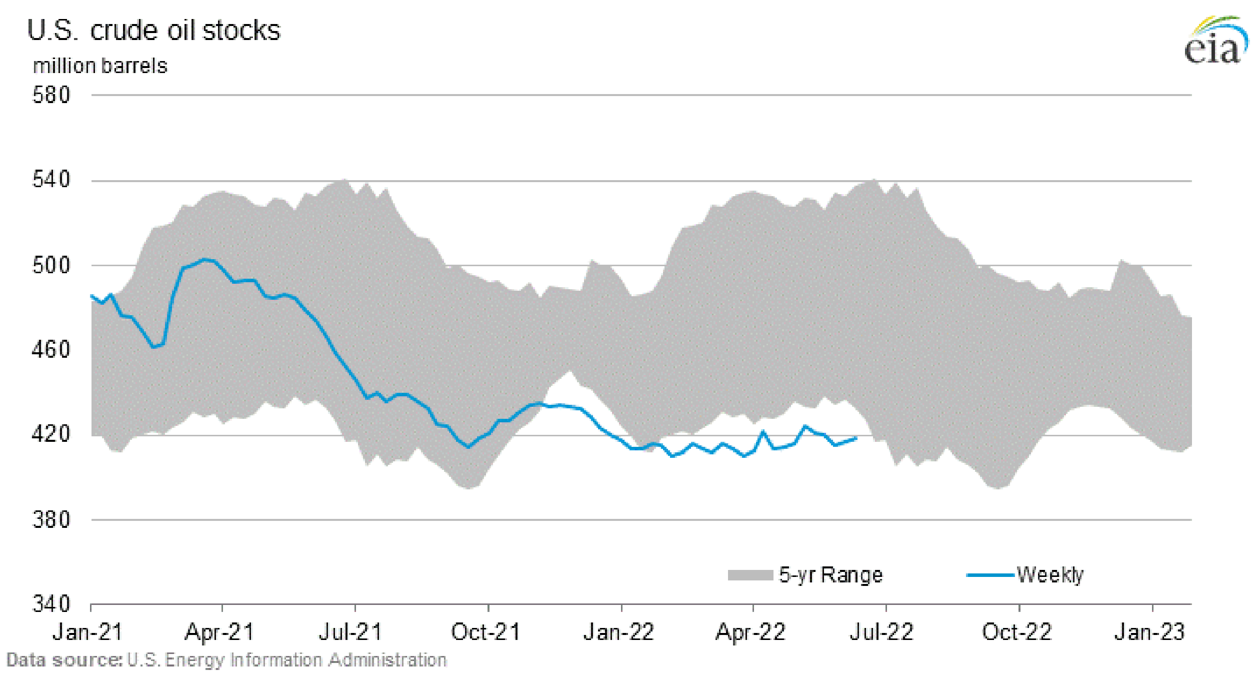




Source: Bloomberg, Dividend Assets Capital

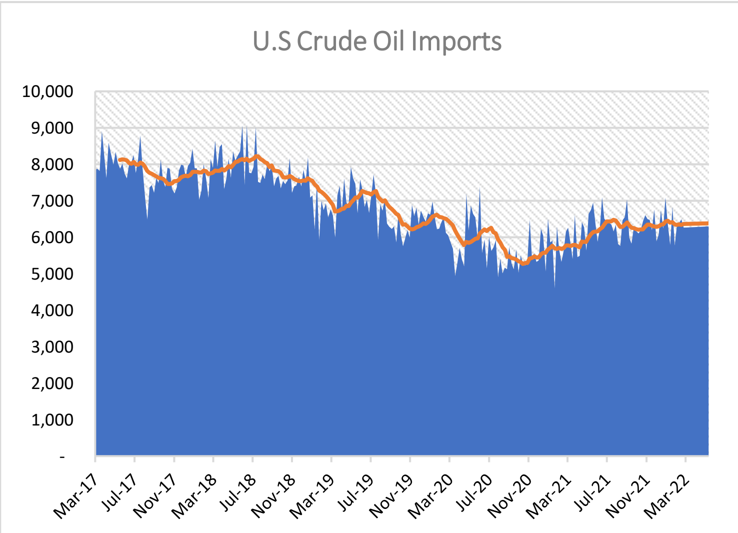
The U.S. Commercial Crude Oil Inventories (excluding those in the Strategic Petroleum Reserve) and Inventory Changes (As of June 3, 2022):

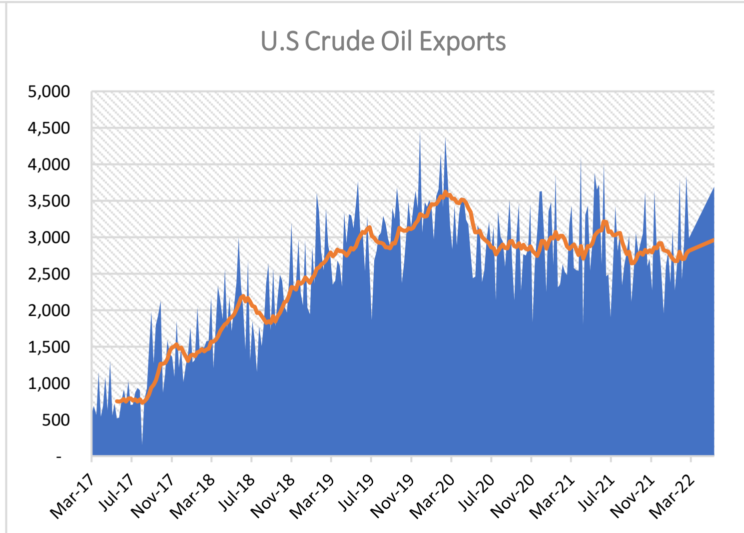
1. Inventory increased by 2.4 million barrels from the previous week to 416.8 million barrels (8% below the 5-year average).
2. Total crude stockpiles including the Strategic Petroleum Reserve ("SPR") declined 31.1 million barrels month over month.



U.S. Imports and Exports (as of June 3, 2022):

1. U.S. crude oil 4-week average imports were 6.4 mm bbl/d, up 4.3% month over month.
2. U.S. crude oil 4-week average exports were 3.5 mm bbl/d, down 2.5% month over month.

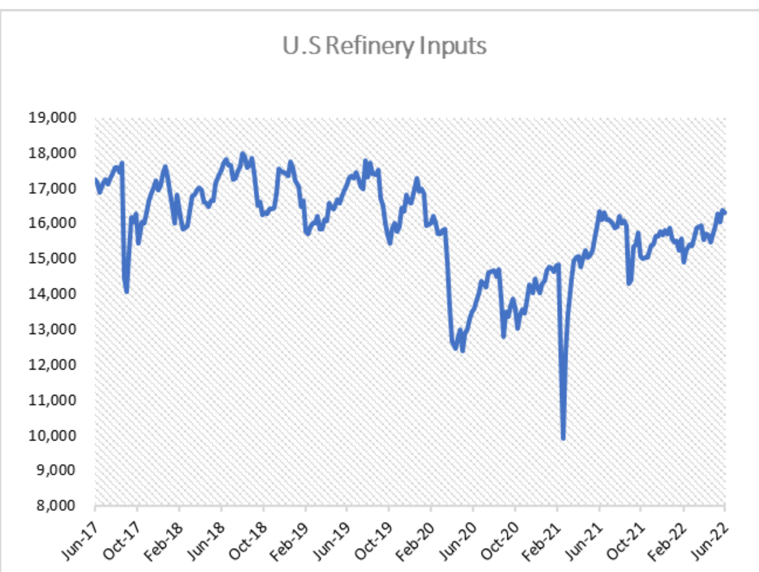


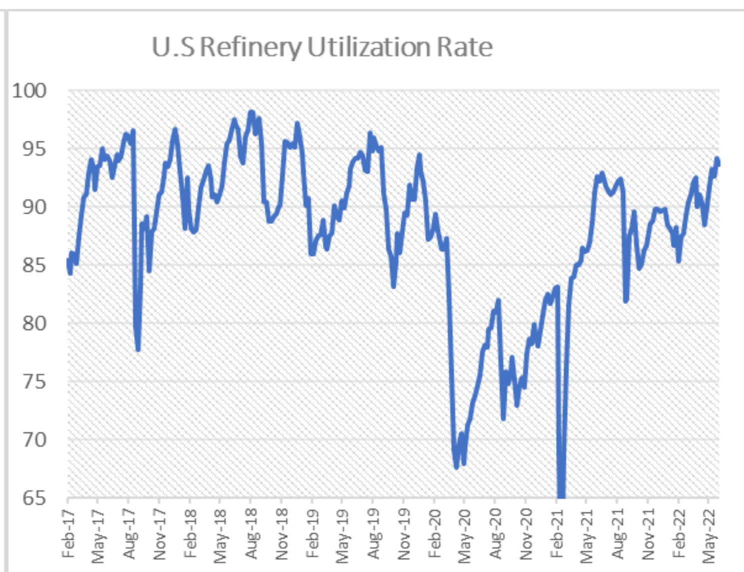


Source: Bloomberg, Dividend Assets Capital

U.S. Refinery Inputs and Utilization Rates (as of June 3, 2022):

1. U.S. crude oil refinery inputs averaged 16.4 million bbl/d for the week ending June 3,2022. Four-week inputs averaged 16.2 million bbl/d, 4.4% higher than the same time a year ago.
2. Refinery Utilization has continued to increase, reaching 94.2%, up from 90% for the previous month. This is also higher than the same period last year, which was a 91.3% utilization rate.





Source: Bloomberg, Dividend Assets Capital

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Clarity: A transparent and understandable approach to portfolio management.	**Simplicity**: We believe dividends are the best indicator of the future price performance of a stock.	**Devotion**: We build confidence through a disciplined process and strong devotion to our investment philosophy and clients.

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58 RIVERWALK BOULEVARD | RIDGELAND, SC 29936
843.645.9700 | dacapitalsc.com