SteelPath June MLP Market Update & News

Portfolio managers

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Funds under management

Invesco SteelPath MLP Alpha

Invesco SteelPath MLP Income

Invesco SteelPath MLP Select 40

Invesco SteelPath MLP Alpha Plus

Invesco SteelPath MLP & Energy Infrastructure ETF

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Midstream equities were up for the month of May but underperformed the S&P 500 Index over the period as first quarter earnings reporting season came to a close. Midstream equities continue to benefit from a prolific Permian Basin driving volume growth for both crude oil and natural gas.

MLP market overview

Midstream MLPs, as measured by the Alerian MLP Index (AMZ), ended May up 0.2% on price basis and up 1.7% after distributions are considered. The AMZ underperformed the S&P 500 Index's 6.3% total return for the month. The best performing midstream subsector for May was the Diversified group, while the Propane subsector underperformed, on average.

For the year through May, the AMZ is up 0.7% on a price basis, resulting in a 4.4% total return. This compares to the S&P 500 Index's 0.5% and 1.1% price and total returns, respectively. The Propane group has produced the best average total return year-to-date, while the Gathering and Processing subsector has lagged.

MLP yield spreads, as measured by the AMZ yield relative to the 10-Year U.S. Treasury Bond, narrowed by 34 basis points (bps) over the month, exiting the period at 314 bps. This compares to the trailing five-year average spread of 521 bps and the average spread since 2000 of approximately 435 bps. The AMZ's distribution yield at month-end was 7.55%.

West Texas Intermediate (WTI) crude oil exited the month at $60.79 per barrel, up 4% over the period and 21.0% lower year-over-year. Natural gas prices ended May at $3.45 per million British thermal units (MMbtu), up 3.6% over the month and 33.2% higher than May 2024. Natural gas liquids (NGL) priced at Mont Belvieu exited the month at $26.57 per barrel, 11.4% lower than the end of April and 4.7% lower than the year-ago period.

News

First quarter earnings season concludes. First quarter reporting season wrapped up in May. Through month-end, 32 midstream entities had announced distributions for the quarter, including 17 distribution increases, one reduction (reduction was by an operator with a variable/irregular distribution policy), and 14 distributions that were unchanged from the previous quarter. Through the end of May, 30 sector participants had reported first quarter financial results. Operating performance was, on average, roughly in line with expectations with EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, coming in 0.1% higher than consensus estimates and 2.7% higher than the preceding quarter.

Natural gas pipeline opportunities abound. During the month of May numerous natural gas pipeline growth projects materialized. Kinder Morgan's (NYSE: KMI) El Paso Natural Gas Pipeline presented two potential growth projects to the Arizona Corporation Commission, the Copper State Connector and Arizona Energy Storage projects. DT Midstream (NYSE: DTM) announced multiple projects including a 200 million cubic feet per day (MMcf/d) potential expansion of the Guardian pipeline and a 500 MMcf/d proposed capacity expansion on the Millennium pipeline.

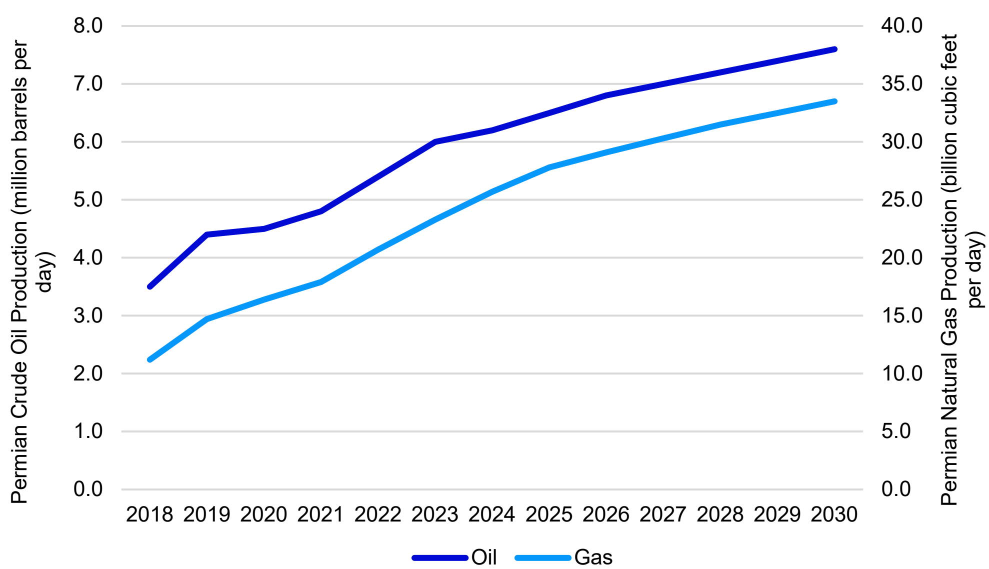
Tallgrass (Private) executed anchor shipper agreements for a new pipeline that will transport 2.4 billion cubic feet per day (Bcf/d) of natural gas from the Permian Basin to the Rockies Express Pipeline. And Williams Companies (NYSE: WMB) petitioned the Federal Energy Regulatory Commission to reissue its certification of the Northeast Supply Enhancement project, a dormant project to expand natural gas capacity into the greater New York City area by 400 MMcf/d.

Bolt-on deals continue. Several assets changed ownership hands during the month. Private equity firm I Squared, MPLX LP (NYSE: MPLX), and Enbridge (NYSE: ENB) acquired equity interests in the Matterhorn Express Pipeline from Ridgemont Equity Partners and Devon Energy (NYSE: DVN). MPLX also closed its acquisition of Whiptail Midstream, LLC, a portfolio company of I Squared, with midstream assets focused on the San Juan Basin. The Williams Companies announced the purchase of a 10% minority interest in Cogentrix Energy, an independent power producers that owns interests in 11 natural gas power plants. Additionally, private equity firm ArcLight Capital Partners acquired a 25% interest in Natural Gas Pipeline Company of America (NGPL) from Brookfield Infrastructure Partners (NYSE: BIP).

Chart of the Month: Permian basin, the gift that keeps giving, particularly for natural gas

The Fundamentals/Supply Appraisal Team at Enterprise Products Partners (NYSE: EPD) recently provided their annual update to the crude oil, natural gas, and natural gas liquids production trends for the United States as a whole, as well as for the Permian basin specifically. In the Permian, EPD's Fundamentals team projects production of crude oil to grow by 23% from 2024 through 2030 to reach 7.6 million barrels of oil per day (MMbbls/d). Natural gas production is expected to grow even more rapidly, rising 32% from 2024 to 2030 and reaching 33.9 billion cubic feet per day (Bcf/d) in 2030. The company has also noted that even in a theoretical weak crude price scenario that may keep Permian oil production flat, natural gas volumes would still be expected to grow 1.8 to 2.0 Bcf/d over the next two years, or about 7%.

Permian crude oil & natural gas production



Source: Enterprise Products Partners Investor Deck 5/19/2025.

Important information

Source: All data sourced from Bloomberg L.P. as of 5/31/2025 unless otherwise stated.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The opinions referenced above are those of the author as of June 3, 2025. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations. The opinions are based on current market conditions and are subject to change. They may differ from these of other Invesco investment professionals.

Midstream companies are engaged in the transportation, storage, processing, refining, marketing, exploration, and production of natural gas, natural gas liquids, crude oil, refined products or other hydrocarbons.

Propane companies specialize in transporting and delivering propane to customers.
Diversified companies operate assets that transport a variety and mixture of petroleum products.
Gathering companies involve connecting oil and/or natural gas wells to major pipelines through a series of small pipelines. Processing is required for natural gas and involves the removal of potential contaminants and separation of NGLs so that the gas can meet purity standards for pipeline transmission.

The mention of specific companies, industries, sectors, or issuers does not constitute a recommendation by Invesco Distributors, Inc. A list of the top 10 holdings of each fund can be found by visiting invesco.com. Holdings are subject to change and are not buy/sell recommendations.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 4.86%, 0.00%, 4.62%, 4.89% and 6.16% respectively in Williams Companies, Inc.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 13.15%, 13.70%, 7.12%,13.19% and 4.39% respectively in MPLX LP, Inc.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 1.40%, 0.00%, 1.77%, 1.37% and 4.64% respectively in Enbridge Inc.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 2.68%, 0.00%, 4.40%,2.62% and 4.77% respectively in KinderMorgan Inc.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 0.87%, 0.00%, 0.86%, 0.87% and 1.88% respectively in DT Midstream.

As of 3/31/2025, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund, Invesco SteelPath MLP Alpha Plus Fund and Invesco SteelPath MLP & Energy Infrastructure ETF held 8.57%, 13.15%, 4.81%, 8.63% and 4.54% respectively in Enterprise Products Partners.

As of 3/31/2025, none of the Invesco SteelPath funds held Brookfield Infrastructure Partners or Devon Energy .

The S&P 500 Index is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. The Alerian MLP Index is a float-adjusted, capitalization-weighted index measuring master limited partnerships, whose constituents represent approximately 85% of total float-adjusted market capitalization. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. An investment cannot be made into an index. Past performance does not guarantee future results.

A yield spread is the difference between yields on differing debt instruments of varying maturities, credit ratings, issuer, or risk level, calculated by deducting the yield of one instrument from the other.

A basis point is one hundredth of a percentage point.

Most MLPs operate in the energy sector and are subject to the risks generally applicable to companies in that sector, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs are also subject the risk that regulatory or legislative changes could eliminate the tax benefits enjoyed by MLPs which could have a negative impact on the after-tax income available for distribution by the MLPs and/or the value of the portfolio's investments. Although the characteristics of MLPs closely resemble a traditional limited partnership, a major difference is that MLPs may trade on a public exchange or in the over-the-counter market. Although this provides a certain amount of liquidity, MLP interests may be less liquid and subject to more abrupt or erratic price movements than conventional publicly traded securities. The risks of investing in an MLP are similar to those of investing in a partnership and include more flexible governance structures, which could result in less protection for investors than investments in a corporation. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

Energy infrastructure MLPs are subject to a variety of industry specific risk factors that may adversely affect their business or operations, including those due to commodity production, volumes, commodity prices, weather conditions, terrorist attacks, etc. They are also subject to significant federal, state and local government regulation.

There are risks involved with investing in ETFs, including possible loss of money. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Actively managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund.

Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 10,000, 20,000, 25,000, 50,000, 80,000, 100,000 or 150,000 Shares.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professionals for a prospectus/ summary prospectus or visit invesco.com.

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