SteelPath MLP Market Update & News

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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

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Midstream equities outperformed the S&P 500 over the month of April as first quarter earnings season commenced. Data center demand is fueling increased projections for US natural gas demand and strengthening already robust throughput outlooks for natural gas focused midstream sector participants.

MLP market overview

Midstream MLPs, as measured by the Alerian MLP Index (AMZ), ended April down 2.0% on a price basis and down 1.2% after distributions are considered. The AMZ outperformed the S&P 500 Index's -4.1% total return loss for the month. The best performing midstream subsector for April was the Marine group, while the Compression subsector underperformed, on average.

For the year through April, the AMZ is up 9.6% on a price basis, resulting in a 12.4% total return. This compares to the S&P 500 Index's 5.6% and 6.0% price and total returns, respectively. The Compression group has produced the best average total return year-to-date, while the Other subsector has lagged.

MLP yield spreads, as measured by the AMZ yield relative to the 10-Year U.S. Treasury Bond, narrowed by 25 basis points ("bps") over the month, exiting the period at 261 bps. This compares to the trailing five-year average spread of 654 bps and the average spread since 2000 of approximately 441 bps. The AMZ's distribution yield at month-end was 7.29%.

West Texas Intermediate (WTI) crude oil exited the month at $81.93 per barrel, down 1.5% over the period and 6.7% higher year-over-year. Natural gas prices ended March at $1.99 per million British thermal units (MMbtu), up 12.9% over the month but 17.4% lower than April 2023. Natural gas liquids (NGL) priced at Mont Belvieu exited the month at $29.79 per barrel, 2.8% lower than the end of March and 0.3% lower than the year-ago period.

News

First quarter earnings season begins. First quarter reporting season began in April. Through month-end, 32 midstream entities had announced distributions for the quarter, including 15 distribution increases, one reduction (reduction was by an operator with a variable distribution policy), and 16 distributions that were unchanged from the previous quarter. Through the end of April, ten sector participants had reported first quarter financial results. Operating performance has been, on average, better than expectations with EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, coming in 1.0% higher than consensus estimates and 13.4% higher than the preceding quarter.

EPD gets MARAD approval for SPOT. Enterprise Products Partners (NYSE: EPD) announced that it received the deepwater port license for the Sea Port Oil Terminal (SPOT) from the United States Maritime Administration (MARAD). The license enables EPD to move forward to the next step in developing the offshore terminal capable of loading 2 million barrels per day of crude oil. The SPOT offshore platform would be located approximately 30 nautical miles off the Brazoria County, Texas coast in 115 feet of water, and will be manned 24 hours per day. The facility is designed to load very large crude carriers (VLCCs) and other crude oil tankers up to a rate of 85,000 barrels per hour. With a direct connection to Enterprise's Houston ECHO terminal, as well as the company's extensive integrated midstream network, SPOT would offer access to more than 40 distinct grades of crude oil, including Midland WTI.

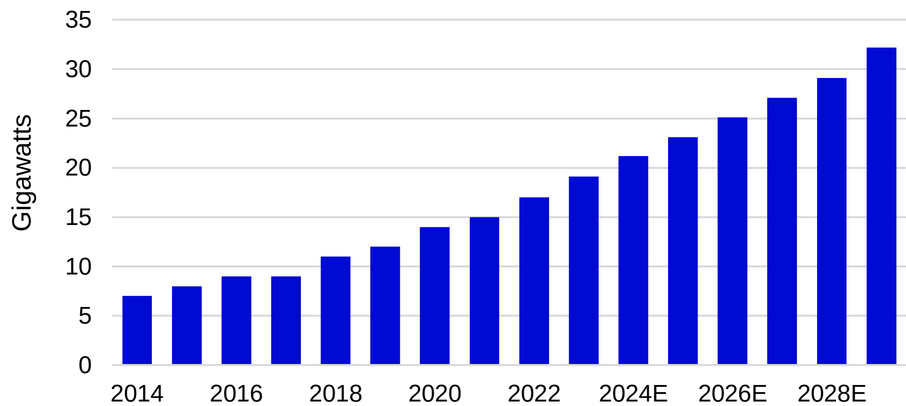
KNTK To capture CO2, sell as feedstock for eFuels. Kinetik Holdings (NYSE: KNTK) and Infineum (Private) reached an agreement in which Infineum will purchase carbon dioxide (CO_2) captured from KNTK's natural gas gathering and processing system in the Permian Basin for use as a feedstock in the production of ultra-low carbon electrofuels (eFuels). Infinium's Project Roadrunner will primarily produce Infinium eSAF, a sustainable aviation fuel with the potential to significantly reduce the lifecycle greenhouse gas emissions (GHG) associated with air transportation.

Chart of the Month: Data centers expected to drive robust natural gas demand growth

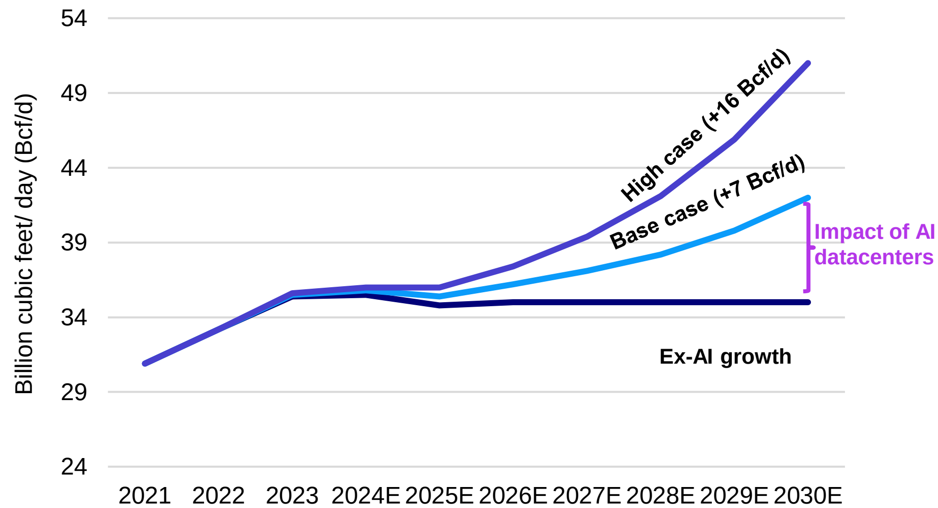
The training and use of artificial intelligence (AI) models is driving increased computing power and construction of data centers that require substantial, continuous power supply. Power generators and local utilities have reported significant increases in data center connection requests and power demand. For example, on its first quarter earning conference call, Dominion Energy (NYSE: D) noted that "In aggregate, we've connected 94 data centers with over 4 gigawatts of capacity over the last approximately 5 years…and expect to connect an additional 15 data centers in 2024." For reference, according to Bloomberg, "A gigawatt is roughly the output of a nuclear reactor and can power 750,000 homes."[1]

EnLink Midstream (NYSE: ENLC) recently assimilated data and projections from the New York Times, Wells Fargo, the Washington Post, and McKinsey, to highlight the expected impact of data center demand on US power plant consumption of natural gas, noting that utilities have recently nearly "doubled their incremental power demand forecasts by 2028."[2]

US Data center demand



US Natural gas consumption by power plants



Source: Wells Fargo Research 3/21/2024 and Washington Post & McKinsey 3/7/2024. Reproduced with permission from EnLink Midstream.

Important information

1. “Data Centers Now Need a Reactor’s Worth of Power, Dominion Says”, Josh Saul, Bloomberg, May 2, 2024
2. “1Q 2024 Update”, EnLink Midstream, LLC., April 30, 2024

Source: All data sourced from Bloomberg L.P. as of 4/30/2024 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 May 6, 2024. 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.

Marine companies are dedicated to marine transportation of oil and natural gas.
Compression companies provides the equipment and oversight to move natural gas through the US pipeline system.
Other midstream companies include companies that do not fit into the core midstream subsector categories (natural gas transportation, petroleum transportation, gathering and processing etc) and include, but are not limited to, companies that focus on compression and shipping.

The mention of specific companies, industries, sectors, or issuers does not constitute a recommendation by Invesco Distributors, Inc.

As of 3/31/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Alpha Plus Fund, Invesco SteelPath MLP Income Fund and Invesco SteelPath MLP Select 40 Fund had a 9.11%, 9.09%, 9.98% and 4.74% position respectively in Enterprise Products Partners.

As of 3/31/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Alpha Plus Fund, Invesco SteelPath MLP Income Fund and Invesco SteelPath MLP Select 40 Fund had a 2.19%, 2.14%, 0.40% and 0.45% position respectively in Kinetik Holdings.

As of 3/31/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Alpha Plus Fund, Invesco SteelPath MLP Income Fund and Invesco SteelPath MLP Select 40 Fund had a 2.63%, 2.59%, 4.75% and 4.92% position respectively in EnLink Midstream LLC.

As of 3/31/2024 none of the SteelPath funds held Dominion Energy.

Holdings are subject to change and are not buy/sell recommendations.

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 publicexchange 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 localgovernment regulation.

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.