

November 2024

## Portfolio managers

Stuart Cartner  
(Since 3/10)

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(Since 3/10)

## 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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[www.invesco.com](http://www.invesco.com)

Midstream equities modestly underperformed the S&P 500 over the month of October as third quarter earnings season began. Multiple sector participants announced growth projects providing additional support to the sector's attractive 7.3% current yield and expectations for ~5% annual dividend growth rate through the end of the decade.

## MLP market overview

Midstream MLPs, as measured by the Alerian MLP Index (AMZ), ended October down 1.8% on price basis and down 1.3% after distributions are considered. The AMZ modestly underperformed the S&P 500 Index's 0.9% total return loss for the month. The best performing midstream subsector for October was the Natural Gas Pipeline group, while the Marine subsector underperformed, on average.

For the year through October, the AMZ was up 10.3% on a price basis, resulting in a 16.7% total return. This compares to the S&P 500 Index's 19.6% and 21.0% price and total returns, respectively. The Gathering and Processing group has produced the best average total return year-to-date, while the Other Energy subsector has lagged.

MLP yield spreads, as measured by the AMZ yield relative to the 10-Year U.S. Treasury Bond, narrowed by 36 basis points (bps) over the month, exiting the period at 303 bps. This compares to the trailing five-year average spread of 620 bps and the average spread since 2000 of approximately 439 bps. The AMZ's indicated distribution yield at month-end was 7.31%.

West Texas Intermediate (WTI) crude oil exited the month at \$69.26 per barrel, up 1.6% over the period and 14.5% lower year-over-year. Natural gas prices ended August at \$2.71 per million British thermal units (MMbtu), down 7.4% over the month and 24.3% lower than October 2023. Natural gas liquids (NGL) priced at Mont Belvieu exited the month at \$29.71 per barrel, 19.5% higher than the end of September and 5.0% higher than the year-ago period.

## News

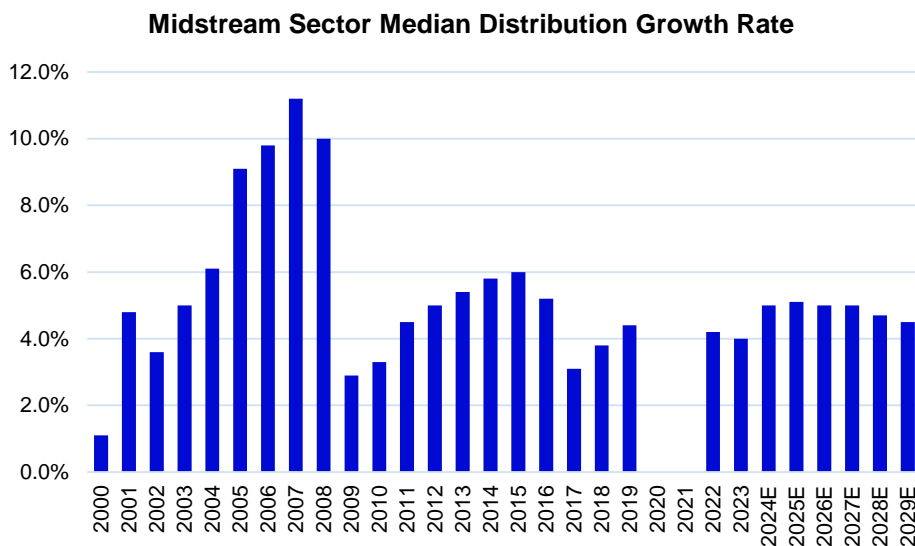
**Enterprise to construct CO2 system to support carbon sequestration hub.** Enterprise Products Partners (NYSE: EPD) announced an agreement to develop a new pipeline network and provide fee-based transportation services to 1PointFive, a carbon capture, utilization, and sequestration (CCUS) focused subsidiary of Occidental Petroleum (NYSE: OXY), to transport CO2 emissions captured by third parties at facilities in the vicinity of the Houston Ship Channel to 1PointFive's Bluebonnet Sequestration Hub.

**Multiple natural gas pipeline expansions announced.** Multiple sector participants announced plans to expand natural gas pipeline capacity. Kinder Morgan (NYSE: KMI) took final investment decision (FID) on a 570 million cubic feet per day (MMcf/d) expansion of the Gulf Coast Express pipeline in Texas and announced open seasons to solicit interest in the new Mississippi Crossing and Trident projects. Energy Transfer (NYSE: ET) announced an open season to construct its South Mississippi project. DT Midstream (NYSE: DTM) took FID on an additional expansion of its LEAP Pipeline, and WhiteWater Midstream (private) took FID on the Pelican Pipeline, both in Louisiana.

**Third quarter earnings season began.** Third quarter reporting season began in October. Through month-end, 28 midstream entities had announced distributions for the quarter, including 10 distribution increases and 18 distributions that were unchanged from the previous quarter. Through the end of October, nine sector participants had reported third quarter financial results. Operating performance has been, on average, slightly below expectations with EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, coming in 1.7% lower than consensus estimates and 3.0% lower than the preceding quarter.

**Chart of the month: Checking in on distribution growth**

According to data and estimates provided by Wells Fargo Securities, the midstream sector is expected to provide ~5% annual distribution growth through the end of the decade, complementing the attractive current yield of the AMZ of approximately 7.3%.



Source: Wells Fargo Securities Midstream Monthly 11/4/2024. Midstream sector is defined by Wells Fargo Research coverage universe.

Past performance does not guarantee future results. There is no guarantee the estimates provided will be realized.

## Important information

Source: All data sourced from Bloomberg L.P. as of 10/31/2024 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 November 4, 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 those 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.

Natural gas pipeline companies focus on transporting natural gas through a country wide network of pipelines.

Marine companies are dedicated to marine transportation of oil and natural gas.

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.

Other Energy 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. A list of the top 10 holdings of each fund can be found by visiting [invesco.com](https://www.invesco.com). Holdings are subject to change and are not buy/sell recommendations.

As of 9/30/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund and Invesco SteelPath MLP Alpha Plus Fund held 8.69%, 12.78%, 4.75% and 8.89% respectively in Enterprise Products Partners.

As of 9/30/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund and Invesco SteelPath MLP Alpha Plus Fund held 0.00%, 0.00%, 4.81% and 0.00% respectively in Kinder Morgan.

As of 9/30/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund and Invesco SteelPath MLP Alpha Plus Fund held 13.29%, 13.42%, 13.58% and 7.02% respectively in Energy Transfer.

As of 9/30/2024, Invesco SteelPath MLP Alpha Fund, Invesco SteelPath MLP Income Fund, Invesco SteelPath MLP Select 40 Fund and Invesco SteelPath MLP Alpha Plus Fund held 0.85%, 0.00%, 0.81% and 0.86% respectively in DT Midstream.

As of 9/30/2024, the Invesco SteelPath Funds have no position in Occidental Petroleum.

As of 9/30/2024, the Invesco SteelPath Funds have no position in WhiteWater Midstream.

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

Open seasons are used by pipeline developers to determine if there is enough interest to commit to long-term contracts.

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.

**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](https://www.invesco.com).**

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