MLP INVESTMENT REVIEW AND OUTLOOK

December 31, 2024

Index Total Returns

Source: NBW Capital

	Three Months Ended 12/31/2024	Twelve Months Ended 12/31/2024
Alerian Total Return	4.94%	24.41%
S&P 500	2.41%	25.02%
Russell 2000	0.33%	11.54%
Bloomberg U.S. Aggregate Bond	-3.06%	1.25%
Alerian U.S. Midstream Energy	15.59%	50.75%

*December 31, 2024 quarter end point in time data. The above returns are industry index benchmark returns, your actual portfolio return can be located on the "Performance Overview" page of your reporting package.

Yields

Source: Bloomberg

	Ended 12/31/2024
Alerian Total Return	7.45%
Ten-Year U.S. Treasury	4.56%
One-Year U.S. Treasury	4.14%
Bloomberg U.S. Aggregate Bond	4.91%
S&P 500	1.39%
Dow Jones REIT	4.07%

Fourth Quarter Review and Year End Review

MLPs, as represented by the Alerian Total Return Index, had a strong quarter and year-to-date returns. We are pleased to report that NBW's after-fee MLP composite returns comfortably exceeded the benchmark in both periods. We believe 2025 will be another good year for MLP investment performance, but at a more moderate pace than the torrid results of recent years. We explore our 2025 outlook in more detail below.

At the close of 2024's calendar year, and less than three months away from the five-year anniversary of the historic bear market lows of mid-March 2020, it's important to review what has occurred and hopefully use it to inform what we believe is in store for MLPs in the future. Is the recent past a prologue? To explore the answer to that question, we turn to the lows from 57 months ago.

Back then, in 2020, the industry had just endured a first quarter performance washout as the benchmark, Alerian Total Return Index, had collapsed 57.19%. Oil prices had briefly turned negative and equity capital markets had effectively closed to new issuance. Multi-year CAPEX projects were unfunded, and completion funding was limited to additional debt issuance at high interest costs and/or dividend cuts. Investor sentiment had collapsed and MLP valuations sunk to record lows. However, extremely important to note is that the cash flow performance of MLPs was stable. Its resilience was much better than that of the S&P 500, and MLP cash flows only declined in mid-single digit percentages on a year-over-year basis. The long-term fee for service MLP revenue model was being stressed like never before and held up beautifully. We knew the underlying companies we owned were fundamentally sound and became increasingly confident over the ensuing months to hold our positions and add to them at extremely attractive price points. From that low point, and built on a foundation of extremely low valuations, equally low investor sentiment, and sound business fundamentals, MLPs have staged a historic bull market summarized below.

March 31, 2020 through December 31, 2024

Cumulative and Annualized Rates of Return

	Cumulative	Annualized
Alerian Total Return (MLP Benchmark)	381.27%	39.19%
S&P 500 (Stock Benchmark)	145.04%	20.76%
Bloomberg U.S. Aggregate (Bond Index)	-4.62%	-0.99%

Source: NBW Capital, Bloomberg

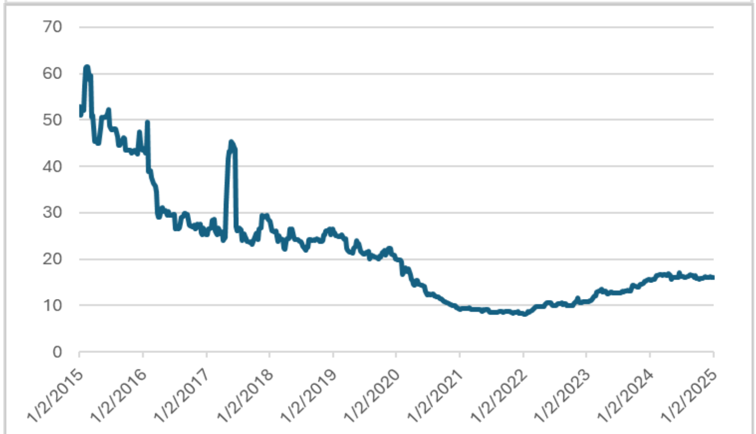
Over this period, NBW's MLP composite generated net of fee returns of 424.73% cumulative and 41.75% annualized. Active management added value over the course of the bull market as has consistently been the case over our 24-year history.

MLP revenues are derived from long-term, fee-based contracts. Contracts are based on volumes shipped, processed and stored and not the price of the underlying commodity. Contracts tend to have inflation escalators and minimum volume assurances. Customers and counterparties are predominantly investment grade quality and perform critical functions for the national economy (i.e. electrical utilities, chemical industry, heating, motor and jet fuel).

In a process that evolved slowly over the last few years, MLP management teams adopted a new and better approach to capital budgeting. It has resulted in a newfound discipline in how they allocate their cash flow and has had a very favorable effect on MLP dividend policy, balance sheet strength, the self-financing of CAPEX and share repurchase activity. As seen in the chart to the right, the companies in the Alerian MLP Index were spending over $50 billion ten years ago. That budget dropped as low as $10 billion before gradually increasing towards a mid-teens level. Today, MLPs have achieved balance sheet strength, healthy, if not excessive distribution coverage and are not reliant upon equity capital markets for CAPEX. This achievement has finally begun to attract investor capital back into MLPs. We expect these flows to continue to grow over the next several years, if not longer.

Alerian MLP Index Capital Expenditures

Source: Bloomberg



OUTLOOK

We remain positive in our outlook for future MLP investment returns. We believe annual total returns over the next several years will be in the 10% to 12% range. This expectation derives from three conservatively estimated sources:

Annual Distribution/Dividend Yield	6%
Annual Distribution/Dividend Growth	3-4%
Annual Valuation Expansion	1-2%
Total Estimated Annual Return	10 to 12%

Our valuation expansion estimate stated above is based on the fact that currently MLPs are trading 18% below their 10-year historic median valuation levels. We believe that this undervaluation gap will be closed over time and more likely to go above median levels as has historically occurred in previous bull markets.

During the latter half of 2024, a subtle shift occurred in investor preferences. New "good" CAPEX growth was no longer perceived as negative and no longer accompanied by investor selling pressure. If estimated returns on capital exceeded the cost of capital, the market's reaction was positive. Part of this change was certainly the excitement over new CAPEX opportunities in well contracted projects to support the voracious electricity demands of the many proposed AI data centers. Another part has been the boom in LNG export facility construction which we see accelerating in 2025. Finally, the prospect of a more supportive regulatory regime has given managements the confidence to embark upon needed capacity expansions. In sum, MLPs are likely to grow their cash flow at a faster rate than expected over the foreseeable future.

Does this change in investor preferences negate the "capital discipline" thesis that has been so beneficial to investors over the last several years? In our opinion, no. MLP management teams have worked diligently over the past five years to fix their balance sheets, to restore distributions/dividends and to grow dividends. They have been rewarded for their accomplishments with sharply higher equity prices and most have compensation schemes directly linked to investor returns. The current generation of MLP leadership wants accretive growth as in cash flow per share growth. Ten years ago, the orientation was more towards aggregate cash flow growth but not necessarily on a per share basis.

In conclusion, we believe the ongoing MLP bull market is alive and well. The 10% to 12% annual investment return potential outlined above is attractive, and even more so when compared to competing investment alternatives.

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