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MLP Monthly Report: January 2023

The **January MLP Monthly Report can be found here** offering insights on MLP industry news, the asset class's performance, yields, valuations, and fundamental drivers.

The latest quarterly **MLP Insights piece** providing analysis into the midstream space can be found here as well.

Summary

News:

1) Vladimir Putin signed a decree prohibiting sales under contracts that comply with the \$60 price ceiling imposed by Ukraine's Western allies in response to the G7's efforts to limit gains from the country's oil revenues. However, the decree states that Putin may grant special permission to sell oil and oil products in certain circumstances even if purchasers adhere to the cap, potentially allowing Russia to sell crude to producers in markets such as India and China.

2) OPEC+ oil output increased slightly in December despite production cuts to support the market, primarily led by a recovery in Nigerian supply from outages. Nigeria has been fighting crude theft and insecurity in its oil-producing region for months, reducing output. Even though many Nigerian crude streams produced more in December, with some companies citing improved security, a few producers in Nigeria and Angola continue to lack the capacity to pump at agreed-upon levels, resulting in a shortfall in output expectations.

3) The Biden administration intends to replenish the nation's emergency oil reserves, beginning with a crude purchase of 3 million barrels. The purchase of barrels for February's delivery follows a historic 180 million barrel release of oil from the US Strategic Petroleum Reserve to combat high gasoline prices caused by Russia's invasion of Ukraine and other supply issues. This repurchase allows American taxpayers to save money by repurchasing oil at a lower price than the average selling price of \$96 per barrel while strengthening energy security.

Sources: Stognei, A. (2022, December 28). Putin imposes oil ban on buyers complying with G7 price cap. Financial Times.; Lawler, A. (2023, January 4). OPEC oil output rises in December on Nigeria rebound - survey. Reuters.; Natter, A. (2022, December 17). White House begins plan to refill US emergency oil reserves. Bloomberg.

Performance: Midstream MLPs, as measured by the Solactive MLP Infrastructure Index, decreased by 4.25% last month. The index increased by 29.08% since last December. (Source: Bloomberg)

Yield: The current yield on MLPs stands at 7.55%. MLP yields remained higher than Emerging Market Bonds (7.52%), Fixed Rate Preferreds (7.31%), and the broad market benchmark for Investment Grade Bonds (5.42%) and lower than High Yield Bonds (8.99%).¹ MLP yield spreads versus 10-year Treasuries currently stand at 3.58%, lower than the long-term average of 5.64%.² (Sources: Bloomberg; Board of Governors of the Federal Reserve System. (2022, December 31). Preformatted package: Treasury constant maturities [Data set]. Data Download Program.)



Valuations: The Enterprise Value to EBITDA ratio (EV-to-EBITDA), which seeks to provide more color on the valuations of MLPs, decreased by 2.26% from last month. Since December 2021, the EV-to-EBITDA ratio is down by approximately 1.48%. (Source: Bloomberg)

Crude Production: The Baker Hughes Rig Count decreased to 779 rigs, decreasing by 5 rigs from last month's count of 784 rigs. US production of crude oil stood at 12,100 mb/d in the last week of December same as November levels of 12,100 mb/d. (Sources: Baker Hughes. (2022, January 11). North America rig count.; U.S. Energy Information Administration. (2022, January 11). Petroleum and other liquids.)

Global X MLP ETF (MLPA) Inception Date 04/18/2012					
As of 12/31/2022	Since Fund Inception	1-Year	5-Years	10-Years	Annualized Since Fund Inception
NAV	7.02%	26.98%	2.12%	0.54%	0.64%
Market Price	6.90%	26.99%	2.10%	0.49%	0.62%
MLPAMIDG Index	24.83%	29.08%	2.82%	1.93%	2.09%
Total Expense Ratio	0.45%				

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1.888.493.8631, or visit www.globalxetfs.com.

For performance data current to the most recent month- and quarter-end, please click [here](#)

DEFINITIONS

Solactive MLP Infrastructure Index: The Solactive MLP Infrastructure Index is intended to give investors a means of tracking the performance of the energy infrastructure MLP asset class in the United States. The index is composed of Midstream MLPs engaged in the transportation, storage, and processing of natural resources.

S&P MLP Index: S&P MLP Index provides investors with exposure to the leading partnerships that trade on the NYSE and NASDAQ. The index includes both master limited partnerships (MLPs) and publicly traded limited liability companies (LLCs), which have a similar legal structure to MLPs and share the same tax benefits

Bloomberg US Corporate High Yield Total Return Index: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.



ICE BofA Fixed Rate Preferred Securities Index: The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market.

Bloomberg EM USD Aggregate Total Return Index: The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg US Corporate Total Return Index: The Bloomberg US Corporate Total Return Value Unhedged Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Crude Oil: Measured based on the Generic 1st 'CL' Future, which is the nearest crude oil future to expiration.

EBITDA: Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments.

Average Spread: Average spread is the average of the excess of the MLPs yield over the 10 year treasuries yield.

Enterprise Value (EV): EV is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization.

Footnotes

1. Asset class representations are as follows, MLPs, Solactive MLP Infrastructure Index; High Yield Bonds, Bloomberg US Corporate High Yield Total Return Index; Preferreds, ICE BofA Fixed Rate Preferred Securities Index; Emerging Market Bonds, Bloomberg EM USD Aggregate Total Return Index; REITs, FTSE NAREIT All Equity REITS Index; Investment Grade Bonds, Bloomberg US Corporate Total Return Value Unhedged Index; Equities, S&P 500 Index; and Crude Oil, Generic 1st 'CL' Future.
2. MLPs are represented by the SPMLP Index.

Investing involves risk, including possible loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in securities of MLPs involve risk that differ from investments in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP. MLP common units and other equity securities can be affected by macro economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). The Fund invests in the energy industry, which entails significant risk and volatility. MLPA is non-diversified. The Fund invests in small and mid-capitalization companies, which pose greater risks than large companies. MLPA has a different and more complex tax structure than traditional ETFs and investors should consider carefully the significant tax implications of an investment in the Fund. Current and future holdings are subject to risk.

MLPA is taxed as a regular corporation for federal income tax purposes, which differs from most investment companies. Due to its investment in MLPs, the fund will be obligated to pay applicable federal and state corporate income taxes on its taxable income as opposed to most other investment companies. The fund expects that a portion of the distributions it receives from MLPs may be treated as tax-deferred return of capital. The amount of taxes currently paid by the fund will vary depending on the amount of income and gains derived from MLP interests and such taxes will reduce an investor's return. The fund will accrue deferred income taxes for any future tax liability associated certain MLP interests. Upon the sale of an MLP security, the fund may be liable for previously deferred taxes which may increase expenses and lower the fund's NAV. The potential tax benefits from investing in MLPs depend on them being treated as partnerships for federal income tax purposes. If



the MLP is deemed to be a corporation then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value.

Bonds and bond funds will decrease in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. Real estate and REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Preferred stock is subject to many of the risks associated with debt securities, including interest rate risk. Preferred stock may not pay a dividend, an issuer may suspend payment of dividends on preferred stock at any time, and in certain situations an issuer may call or redeem its preferred stock or convert it to common stock.

U.S. Treasury securities are considered to be of high credit quality and are backed by the full faith and credit of the U.S. government. U.S. Treasury securities, if held to maturity, guarantee a return of principal while no other securities mentioned in this material offer such a guarantee.

Carefully consider the fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the fund's full or summary prospectus, which may be obtained by calling (1.888.493.8631), or by visiting globalxetfs.com. Read the prospectus carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Beginning October 15, 2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share. Prior to October 15, 2020, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated using prices as of 4:00 PM Eastern Time. The returns shown do not represent the returns you would receive if you traded shares at other times. Indices are unmanaged and do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index. Index data source: Solactive AG.

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