



## GLOBAL X ETFs RESEARCH

# MLP Monthly Report: September 2020

The [September MLP Monthly Report can be found here](#) offering insights on MLP industry news, the asset class's performance, yields, valuations, and fundamental drivers.

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### Related ETFs

Please click below for fund holdings and important performance information.

[MLPA - Global X MLP ETF](#)

[MLPX - Global X MLP & Energy Infrastructure ETF](#)

### Summary

#### News:

- 1) Brookfield Asset Management (BAM) announced it would acquire Blackstone Infrastructure's 41% stake in Cheniere Energy Partners (CQP). The stake was valued at \$7 billion, and represents an approximate \$5 billion gain for Blackstone after initially investing in CQP in 2012.
- 2) Delek US Holdings, Inc. (DK) and Delek Logistics Partners, LP (DKL) agreed to eliminate all incentive distribution rights (IDRs) in DKL held by its general partners (GP). The IDRs were exchanged for 14 million newly issued DKL common units and \$45 million in cash. After the IDR elimination, DK will hold approximately 80% of DKL's outstanding common units.
- 3) The Organization of the Petroleum Exporting Countries and its allies (OPEC+) maintained its oil production cuts of 7.7 million barrels per day (bpd) in its latest meeting. As Iraq, Nigeria, Angola and Kazakhstan continue to compensate for their overproduction in May-July, it is expected that cuts from those countries will over compensate for prior months.

*Sources: Reuters, Bloomberg, Analyzemarkets, Delek Logistics Partners, LP.*

**Performance:** Midstream MLPs, as measured by the Solactive MLP Infrastructure Index, decreased 0.8% last month. The index is down by 44.07% since last August. (Source: Bloomberg)

**Yield:** The current yield on MLPs stands at 15.14%. MLP yields remained higher than the broad market benchmarks for High Yield Bonds (5.86%), Fixed Rate Preferreds (4.53%), Emerging Market Bonds (4.09%), and Investment Grade Bonds (2.00%).<sup>1</sup> MLP yield spreads versus 10-year Treasuries currently stand at 14.13%, higher than the long-term average of 5.35%.<sup>2</sup> (Sources: Bloomberg and Fed Reserve)

**Valuations:** The Enterprise Value to EBITDA ratio (EV-to-EBITDA), which seeks to provide more color on the valuations of MLPs, decreased by 3.12% last month. Since August 2019, the EV-to-EBITDA ratio is down by approximately 12.39%. (Source: Bloomberg)

**Crude Production:** The Baker Hughes Rig Count increased to 254 rigs, increasing by 3 rigs from last month's count of 251 rigs. US production of crude oil reduced to 9.700 mb/d in the last week of August compared to July levels of 11.0000 mb/d. (Source: Baker Hughes & EIA)



Global X MLP ETF (MLPA) Inception Date 04/18/2012					
As of 6/30/2020	Since Fund Inception	1-Year	3-Years	5-Years	Annualized Since Fund Inception
<b>NAV</b>	-44.34%	-42.91%	-18.47%	-13.41%	-6.90%
<b>Market Price</b>	-44.53%	-43.09%	-18.55%	-13.46%	-6.93%
<b>MLPAMID Index</b>	-44.27%	-44.43%	-20.28%	-15.25%	-6.88%
<b>Total Expense Ratio</b>	0.46%				

*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](http://www.globalxetfs.com).*

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

As of 8/31/2020, Cheniere Energy Partners (CQP) was a holding in the Global X MLP ETF (MLPA), with a 4.61% weighting and Global X MLP and Energy Infrastructure ETF (MLPX), with a 0.71% weighting,

MLPX ETF and MLPA ETF do not have any holding in Brookfield Asset Management (BAM), Delek Logistics Partners, LP (DKL), and Delek US Holdings, Inc. (DK).

## 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.

**The Solactive MLP & Energy Infrastructure Index:** The Solactive MLP & Energy Infrastructure Index is intended to give investors a means of tracking the performance of MLPs and energy infrastructure corporations. Midstream energy infrastructure MLPs and corporations principally own and operate assets used in energy logistics, including, but not limited to, pipelines, storage facilities and other assets used in transporting, storing, gathering, and processing natural gas, natural gas liquids, crude oil or refined products. The index limits its exposure to partnerships in order to comply with applicable tax diversification rules. Securities must be publicly traded in the United States. The index is maintained by Solactive AG.

**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 Barclays US Corporate High Yield Total Return Index:** The Bloomberg Barclays 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 Barclays EM country definition, are excluded.



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

**Bloomberg Barclays EM USD Aggregate Total Return Index:** The Bloomberg Barclays 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 Barclays US Corporate Total Return Index:** The Bloomberg Barclays 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.

1. Asset class representations are as follows, MLPs, Solactive MLP Infrastructure Index; High Yield Bonds, Bloomberg Barclays US Corporate High Yield Total Return Index; Preferreds, ICE BofA Merrill Lynch Fixed Rate Preferred Securities Index; Emerging Market Bonds, Bloomberg Barclays EM USD Aggregate Total Return Index; REITs, FTSE NAREIT All Equity REITS Index; Investment Grade Bonds, Bloomberg Barclays 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 S&P MLP Index.

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SEI Investments Distribution Co. (1 Freedom Valley Drive, Oaks, PA, 19456) is the distributor for the Global X Funds.

This information is not intended to be individual or personalized investment or tax advice. Please consult a financial advisor or tax professional for more information regarding your tax situation.

Global X Management Company, LLC serves as an advisor to the Global X Funds. The Funds are distributed by SEI Investments Distribution Co. (SIDCO, 1 Freedom Valley Drive, Oaks, PA, 19456), which is not affiliated with Global X Management Company, LLC.

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 Global X MLP Funds invest in the energy industry, which entails significant risk and volatility. The Funds invest 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. The Funds are non-diversified. 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 from an investment in the fund. The fund will accrue deferred income taxes for any future tax liability associated with 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. In addition to the normal risks associated with investing, 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. In addition, 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.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market price returns are based upon the midpoint of the bid/ask spread at the close of the exchange and does not represent the returns an investor would receive if shares were traded at other times. Brokerage commissions will reduce returns. Global X NAVs are calculated using prices as of 4:00 PM Eastern Time.

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Indices are unmanaged and do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index.

***Carefully consider the Funds' investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Funds' summary and full prospectuses, which may be obtained by calling (1-888-493-8631), or by visiting [www.globalxetfs.com](http://www.globalxetfs.com). Read the prospectus carefully before investing.***

