



## 11/30/21: Online Chat Transcript



Roger Conrad

1:57

Hello everyone and welcome to our all-in-one November webchat for our Capitalist Times investment community. We thank you for your business and look forward to your questions and comments.

As always, there is no audio. Please type in your questions to the Q&A box and Elliott and I will get to them just as soon as we can concisely and comprehensively. We will stay on so long as there's anything in the queue, and from what we've received prior to this event.

We will send you a link to a pdf transcript of the entire Q&A following the conclusion of the chat. And it will also be posted on our websites.

Let's get started with some questions we received prior to the chat.

**Q.** Dear Elliot & Roger:

Thank you for taking questions. I have two.

First, I never bought any **Tesla Inc** (NSDQ: TSLA) stock and haven't see anything in the EV space in recent years to get excited about. Now I see **Rivian Automotive** (NSDQ: RIVN) and wonder if this is finally the one to get excited about? I've also been following **NIO Inc** (NYSE: NIO) and **XPeng Inc** (NYSE: XPEV). Do you have any thoughts on these three?

Second, is **Suncor** (TSX: SU, NYSE: SU) the better of **Canadian Natural Resources** (TSX: CNQ, NYSE: CNQ) or **EQT Corp** (NYSE: EQT). I can only buy one of them. Thank you—**Bill G.**

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A. Hi Bill. Starting with question two, though all three companies produce oil and gas, we're really talking about apples and oranges. For one thing, EQT is all about Appalachian natural gas. Canadian Natural and Suncor are primarily Canadian oil sands producers, though Suncor is also a major refiner in that country. Accordingly, EQT is going to be heavily impacted by natural gas prices, which we continue to believe will moderate going forward.

The oil sands producers are going to follow oil, and to some extent the spread between various Canadian oil benchmarks like Western Canada Select and WTI Cushing. These spreads have been declining this fall, in part because **Enbridge Inc's** (TSX: ENB, NYSE: ENB) Line 3 has entered service and in part because US oil output remains restrained and has freed up space on other pipeline systems. Our view is the larger and more diversified Canadian companies are probably safer and may offer more upside as well.

As for the electric vehicles question, Rivian has certainly excited a lot of people with its IPO, which they obviously planned and timed very well. On the other hand, they are at this point basically a concept company that so far has only spent cash, rather than make it. And the launch of their first real product has now been delayed until March.

One suggestion I would make for anyone who wants to find out more about Rivian and its products is to stream episodes of Ewan McGregor's now legendary "The Long Way Up" series. Charlie Boorman and a Rivian prototype-driving support team join the actor on an all-electric motorcycle ride from the tip of South America to his southern California. Long Way Up is the third in a series of treks involving McGregor and Boorman. But those interested in Rivian will be most interested in the performance of the trucks in a series of extreme environments, and their occasional shortcomings.

I appreciate you pitching NIO and XPeng to us. They differ from Rivian in that they have real revenue, which appears to be rising. On the other hand, neither appears to be close to turning an actual profit, and both are still bleeding cash—meaning they're still relying on outside financing to keep the lights on and the business plan moving ahead.

As Rivian's IPO proved again, there's a lot of investor appetite for their stories. And when the money flows, solutions will usually be found. On the other hand, EVs are still more expensive than conventional cars. There's still a lack of charging stations. And where they are around, it still takes far longer to "fill up" than a gas tank. And there are also a lot of people working on building the best EV, which means very fierce competition when solutions are found.

That doesn't mean some of these stocks can't do spectacularly well. But anyone who buys in now should be prepared to watch their investment wax and wane also—with the possibility it may disappear

Q. Small cap indexes (IWM, UWM, IWD, IWN) were down 2x more than other major indices on Friday, November 26 and were trending lower even before the selloff on Friday. The incredibly poor relative performance is startling. Would you please review our strategy for small

cap value stocks and when should we thrown in the towel on this strategy, which just has not been working since March. Should we switch to large cap growth or technology indexes? — **James T.**

**A.** Hi James. The first thing I would say is even traders shouldn't draw too many conclusions based on one day of underperformance, no matter how startling. That's especially true for the truncated trading day after Thanksgiving, which is notorious for wild swings. And that certainly did happen last week, as word of a new coronavirus strain circulated and revived fears of another lockdown/market crash.

The test of whether we've seen a real swing will come the next few days. For those unfamiliar, our CT Trader service has a position in UWM, which is the trading symbol for the ProShares Ultra Russell 2000. Not surprisingly, in the "risk-off" frenzy of Friday, that position did take a substantial one-day hit. It has stabilized this week and recovered to right around the 50-, 100- and 200-day moving averages, which have converged the past couple months. That's roughly the level held before the small cap value stock Russell 2000 lifted higher in early November.

You are right to point out that this trade has so far failed to generate the gains we thought it might by this time. On the other hand, any time we enter a trade our investment team also sets a stop that we track internally. And when that price point is breached for any reason, we close the position. You may wind up being right about small cap value. But at this point, our stop has not been breached. So, we're still in the trade. Note that we will send an Alert if those change. And in the meantime, our weekly updates will keep you abreast of current thinking.

**Q.** Hi Roger. I have two questions.

First, I know you recommend **Kinder Morgan Inc** (NYSE: KMI), especially since it continues to be substantially below your dream price of 18. But given their history of not being the most dependable on following through on their promises (remember-wasn't there a big promotion/promise by them to raise their dividend from \$1 to 1.25 in 2019?), would it not just be safer to buy **Enterprise Products Partners'** (NYSE: EPD) stability with an 8% dividend than KMI's instability with its 6.5% dividend? What am I missing here?

Second, what is the reality that **Magellan Midstream Partners** (NYSE: MMP) would really be acquired? What players out there are serious candidates to buy it? Thanks. Sincerely—**Barry J**

**A.** Hi Barry.

Though Kinder has returned better than 26 percent this year—actually beating Enterprise's bit better than 20 percent—I won't deny it's been a bit frustrating to hold. And the same is true of other best in class midstream companies as well. They continue to prove quarter after quarter in their operating numbers that they've adapted to the current stage in the energy cycle, where volumes remain restrained. But investors still appear disappointed by the fact that volumes haven't rebounded, with underperformance of oil and gas producers lengthening in the few weeks since Q3 earnings were announced.

In Kinder's case, dividend coverage remains very strong, and the company is routinely generating enough free cash flow after all CAPEX to cover dividends, pay down debt and make acquisitions, such as the Stagecoach system and alternative fuels company Kinetrex this year. Yes, they did guide toward a much larger dividend increase in 2018 than they actually delivered in subsequent years. Nonetheless, they still went from 12.5 cents a quarter to 27 cents this year, and at the same time 90% of their competitors were forced to cut dividends.

I actually call that pretty compelling evidence of stability, though Enterprise certainly demonstrated the same over that time period. Bottom line is I like both companies and advise patience. Eventually producers will ramp up output again, as lack of investment continues to tighten supply and energy prices. That will trigger the long-awaited volumes recovery and compelling cash flow growth in North American midstream. In the meantime, these companies have adapted to low volumes and dividends are therefore safe.

Magellan fits the same bill as Kinder and Enterprise, with the dividend increase announced for this month the latest proof it's weathered the tough environment. What makes it attractive as a takeover is (1) a very low valuation (yield near 9%), (2) a modest market capitalization (\$10 bil) relative to giants like Kinder, **TC Energy** (TSX: TRP, NYSE: TRP) etc., (3) attractive assets including ownership stakes in vital crude oil pipelines and refined products pipelines servicing **Valero Energy** (NYSE: VLO) refineries, and a strong balance sheet (BBB+ rating), meaning an acquirer would assume low debt with the assets.

How likely is a takeover? The company and its assets would be attractive to a full range of potential acquirers, from other midstream companies to super majors and private capital. And its assets will only become more valuable the more difficult it becomes to build new pipelines and other assets. I can't speak to the timing. But I can say Magellan and its nearly 9% dividend is a company I wouldn't mind owning even if there never was an offer for it. And that's always my number one condition for betting on a prospective takeover target.

**Q.** Santos Ltd (ASX: STO, OTC: SSLZY) seems like a better opportunity than Woodside Petroleum (ASX: WPL, OTC: WOPEY) with the Pikka asset... your thoughts. —**Jerry J.**

**A.** Hi Jerry.

The big issue with Santos right now is its proposed merger with fellow Australia-based oil and gas producer **Oil Search** (ASX: OSH, OTC: OISHY). Oil Search shareholders will vote on the deal on December 7, under which they'll receive 0.6275 new Santos shares and roughly 38.5% of the merged entity. The deal has faced challenges in Papua New Guinea, the country of Oil Search's largest asset in its **ExxonMobil** (NYSE: XOM) LNG joint venture. But it still looks likely to close early next year.

Santos has expressed interest in the Pikka project in Alaska, an ownership interest Oil Search had on the backburner. In my view, when or whether that gets developed or not is a question mark. But the opportunities in Australia and Papua New Guinea alone are plenty to super charge output as the energy cycle moves on. And Santos' track record has been to share the wealth with investors with dividends that closely follow profits.

That's incidentally also the case for Woodside, which has a big ongoing deal of its own with the acquisition of **BHP Group's** (ASX: BHP, NYSE: BHP) soon-to-spin off oil and gas production assets. And we like both companies. Oil Search, Santos and Woodside are all tracked in our Canada and Australia coverage universe of Energy and Income Advisor.

**Q.** Thanks to all at Capitalist Times for all your valuable services and your new monthly all-inclusive chat format. Happy Thanksgiving. --**Dragomir P.**

**A.** Thanks Dragomir. I hope everyone else is also finding the new format useful, and maybe a little window on the breadth and depth of what we provide at CT. We're always looking for ways to improve what we do and also welcome any suggestions.

**Q. Reaves Utility Income Fund** (NYSE: UTG) sure looks attractive with a 6.8% yield. But for most quality utilities I know, that seems high. Where is the risk in this fund? Also, **Occidental Petroleum** (NYSE: OXY) keeps talking about paying down debt, have they paid off Buffett yet? Isn't his debt the highest interest rate? --Eric

**A.** Hi Eric. Closed-end funds typically pay distributions from a range of sources other than dividends paid by holdings. And Reaves' payout is now more than twice the average yield of its top 10 holdings, which means it's affording the rest with a combination of short and long-term capital gains, return of capital and by using leverage—including debt and very likely by writing options.

I don't mind Reaves' management doing that because they have a great track record not only maintaining but also growing their distributions over time, including during the pandemic. But there are two caveats. First, the more a closed end fund pays out, the slower it will build net asset value—which its market price will ultimately follow higher or lower. That means the distribution yield will be the lion's share of the return. Second, while funds have to post NAV regularly based on market prices, we never really know what's in them, since all management provides is snap shots of the portfolio when it files financial documents. For disclosure purposes, I've been an independent director for **Miller Howard High Income Equity Fund** (NYSE: HIE) the past seven years.

Regarding Occidental, they continue to target total debt of around \$25 billion (currently \$30.7 billion), which management believes will enable the company to restore investment grade credit ratings. The latest development on that front is Moody's boost in the outlook for the Ba2 rating to "positive," which the rater says reflects improved free cash flow and lower debt levels. And based on management statements from the Q3 earnings call, we should expect free cash flow (\$7.7 bil expected for full year 2021) to be deployed for more debt reduction in Q4 as well.

As you've pointed out, Berkshire loans never come cheap. But the company continues to do a good job slashing its highest cost debt. It won't be able to cut the privately issued 8% preferred until August 2029. But there's plenty else to cut long before that can allow management to reach

its financial goals, after which it intends to step up return of capital to shareholders with dividend increases and stock buybacks.

**Q.** I have a loss in **AT&T Inc** (NYSE: T). Rather than waiting for the stock to turn around, I am considering selling and using the proceeds to invest in another telecom. Does this idea make sense to you? Would you consider any or all of **Verizon Communications** (NYSE: VZ), **BCE Inc** (TSX: BCE, NYSE: BCE) or **TDS** (NYSE: TDS)?--Sheldon C.

**A.** Thanks Sheldon. AT&T continues to disappoint. And it's also a pretty good example of how a very cheap stock can get even cheaper in the near term, if management does nothing to address the reasons why. I think we'll all look back at AT&T shares as extraordinarily inexpensive selling for less than 7.7 times expected next 12 months earnings, and a yield close to 4.5% even assuming a 50% dividend cut next year. But until management says what it's post-Warner spinoff dividend is going to be, this stock is going to keep getting sold no matter how strong its operating numbers appear to be.

In the December issue of CUI, I will be advising some end-year moves, including potential wash sales of underperformers like AT&T—where I believe in the long-term recovery but the near-term looks bleak. And that said, I do like Verizon, BCE and TDS as long-term telecom plays that have fewer questions than AT&T. I also like Comcast on that basis. Note that the entire communications sector has been generally underperforming since this summer, including all four of these stocks. But again, we know all four are going to be raising dividends next year.

**Q.** There are differences in buy ratings between the two lists in Energy and Income Advisor. Can you explain them? —**Jerry M.**

**A.** Hi Jerry. Thanks for pointing that out.

The two companies that currently have different buy up to targets in the High Yield Target List and Model Portfolio are **Hess Midstream Corp** (NYSE: HESM) at 30 in HY and 24 in the Model, and **MPLX LP** (NYSE: MPLX) at 35 in HY and 30 in the Model. In both cases, shares are trading slightly above the Model Portfolio price and below the High Yield Energy List price.

I realize this may be confusing. But remember that the Model is an actively managed portfolio where we recommend position sizes. The High Yield Energy List is, as its name indicates, a list of recommended companies for readers who are basically looking for big yields. We do post returns on each stock to give investors an idea of how well they're performing. But the Model is what we consider to be our performance for track record purposes—and if someone wants to follow our advice to the letter. So, while usually the advice will be the same usually between the Model and the High Yield Energy List, it may not always be the case.

**Q.** Central Maine Power has been so awful the last few years that Maine voters opted to shut down the corridor that renewable power from Canada would use to reach Massachusetts. There

is a further movement to require both Central Maine Power and Emera Maine to be taken over by the state. People are so eager to punish CMP there is a good chance the movement will succeed. Does this possibility affect your recommendation for **Avangrid Inc** (NYSE: AGR) or is CMP too small to matter? —**Teresa P.**

A. Hi Teresa.

Central Maine Power as of the end of 2020 was a bit less than 25% of Avangrid's total rate base and will shrink to at least low teens when the company closes its pending acquisition of **PNM Resources** (NYSE: PNM). That deal now appears pretty much set for the end of the year now, with Avangrid agreeing to the New Mexico Hearing Examiner's conditions. Regulators are expected to issue final approval by December 15.

Adding in the portion of Avangrid earnings that come from contracted wind and solar power and Central Maine Power's importance to earnings is a low single digit percentage. And that will further diminish as several large offshore wind facilities now under construction enter service.

That said, relations in Maine are undeniably strained as citizens did vote to block a transmission line proposed by Avangrid to bring Canadian hydropower to New England. The company is now challenging the referendum in Maine Superior Court. And it will face a potential write off if its appeal fails, since 124 miles of transmission corridor have been cleared and 120 structures built on the route, though the project is being built entirely on property the company owns or controls through affiliates.

I think at a minimum the vote will raise the cost of the project by triggering delays. Municipalizing Central Maine Power, however, would be far more difficult hill to climb than just winning a referendum. For one thing, it would require establishing and paying fair value for the unit, which in turn would mean an extensive capital raise for the state. There's also the question of finding someone to run the utility at an economic price. And that could be difficult, since qualified companies will think twice about entering a state with a reputation for being contentious.

This is not to say municipalization can't or won't happen. But in Avangrid's case, it's (1) unlikely to and (2) if it did it wouldn't hurt the company's earnings, ability to pay dividend or to execute growth. Rather, the company would almost certainly walk away with a pile of cash it can then reinvest in more profitable areas like building pre-contracted offshore wind farms.



Elliott Gue

2:05

Good afternoon everyone, I look forward to answering your questions today as well.



Roger Conrad

2:05

**Q.** Hi Roger. Thank you for all the hard work.

**China Gas Holdings** (Hong Kong: 381, OTC: CGHLY) is cheap and demand for power in China is growing. What are your thoughts on this stock? —**Ben F.**

**A.** Hi Ben.

Shares of China Gas, which we cover in Conrad's Utility Investor, have come off a long way from where they were this spring. And I fully agree with your assessment that they are quite cheap, especially in light of rapid and what should be permanent growth in customers and system demand—as China's government compels a switch in home/business heating from coal to natural gas.

Gas volume sales for the first half of the fiscal year (end Sept 30) were higher by 21.1 percent from the year ago period. That was fueled by 9% residential 16.9% in townships, as well as an 18.9% lift in industrial users and 13.9% more commercial hookups. The company also expanded LNG sales in the country by 54.4%, building on its joint venture with Chinese energy giant CNOOC with rapid infrastructure construction.

The other side of that—and the primary reason for the decline in shares in my view—is that gas costs have risen even faster. And the result was a -19.3% drop in net income, as the Chinese government did not allow a full pass through due to concerns about soaring energy costs.

I think it's likely regulators will allow enough pass through to keep China Gas' balance sheet healthy, so it can make the needed investment in its system to meet gas conversion goals. And sooner or later, shareholders will see the earnings and dividend benefit from the customer growth. But this most recent batch of numbers does demonstrate that shareholders are also going to have to be patient, as regulators are going to make them share the pain.

The other concern investors should keep in mind is that the country's tensions with the US government are currently high. And like the Trump Administration before it, the Biden Administration has had no compunction about banning US ownership in certain Chinese stocks. To date that hasn't included China Gas. And it still seems that's unlikely, given the nature of its business. But that may be a reason why some are shunning the stock, which now trades at just 8 times expected next 12 months earnings. I think it's still a worthwhile holding, but only for investors willing to sell quickly if it looks like the US government is about to take negative action.

**Q.** I have a question for pertaining to Orion Office REIT (NYSE: ONL), which is a spin off from



**Realty Income** (NYSE: O). It's down -17% since I received on 11-15-21. I'm unable to find info so thinking I should sell unless you know something I don't. Thanks, Roger, for your continued good advice. I've been with you for many years. Happy Thanksgiving! —**Pam M.**

**A.** Thanks Pam. I hope you had a nice one as well.

Realty announced it would spin off its office properties into a separate company after the close of its merger with the former VEREIT. That deal closed at the beginning of November, as I noted in the most recent REIT Sheet update.

One reason Orion shares have nosedived is simply overall weakness in the office property sector, which has picked up steam since the latest variant of the coronavirus picked up steam. I don't think there's anything particularly unattractive about the new REIT's assets in particular. But like others who follow REITs, I do have real questions about future occupancy of office properties in general.

Mainly, pandemic-related shut-ins of the past couple years have shown managers that much (even all) of what their companies do doesn't need to be done in a centralized location. And there's no doubt many businesses, governments and other tenants are considering changing their post-Covid home/office work balance in ways that will require less office space—saving on rents and increasing employee satisfaction at a time when keeping workers has become more difficult.

To date, most office REITs have avoided big drops in occupancy because a large percentage of leases are multi-year. But the bottom line is the business model is likely changed forever and they're going to have to adapt. That's likely to mean some combination of downsizing, repurposing properties, and consolidation. We'll see Orion's first numbers as an independent company sometime next year. And I suspect we'll hear more than about its plans, which are likely to involve some combination of all of them. We'll also see what kind of dividend shares will provide.

It seems to me from the selloff in Orion shares that investor expectations are pretty low. That in my view is a good reason to wait for answers to those questions, rather than sell into the current weakness. One encouraging sign that those answers might be less gloomy than some apparently expect: EF Hutton has initiated coverage of the stock as a buy with a 12-month target of \$28.50 per share. In any case, I'll be picking up coverage in the REIT Sheet—which will publish its next full issue in December.

**Q.** Can you figure out why **Enterprise Products Partners** (NYSE: EPD) and **Pembina Pipeline** (TSX: PPL, NYSE: PBA) are doing so poorly? —**Frank J.**

**A.** Hi Frank.

First off, Enterprise has a year-to-date total return north of 20%, while Pembina's is more than 35%. So, we're not talking about stocks that are underwater this year. Both of them are, however, greatly underperforming oil and gas producers, as the S&P 500 Energy Index is ahead

by more than 50%. And they've especially lagged since mid-summer, despite the strength we've seen up until recently in oil and gas prices.

I believe the main reason for the underperformance is the general lack of a volume's recovery for North American midstream companies. The link between higher energy prices and producer earnings is clear and direct, with the big recovery from 2020 dramatically lifting earnings and cash flow. But rather than use the money to increase capital spending and lift output and reserves, management has used it instead to cut debt. And when leverage targets have been achieved, they've used it to buy back stock and raise dividends.

To some extent, these decisions reflect management conservatism to protect against a potential relapse in prices, which is perfectly understandable given where we were last year. I think it's augmented this time around by concern about government action to curtail fossil fuels production and use, as well as worries that traditional funding sources for development may not be there when needed due to the proliferation of ESG strategies.

But whatever the cause, the result has been less oil and gas produced than has in the past been typical at this stage of the energy price cycle. And that's meant lower throughputs for midstream gathering, processing, storage and pipeline systems, and therefore less revenue and cash flow for these companies than people expected to see in Q2 and particularly the recently released Q3 numbers.

I believe producers will ultimately turn up the taps, volumes will recover, and midstream underperformance will eventually end. But I also think it's clear in Q3 numbers that best-in-class midstream companies like EPD and PBA have adapted to the tepid volume's environment—meaning dividends and balance sheets are secure. Further, the longer it takes for volumes to recover, the more likely they'll continue to extend dominance with strategic expansion even as rivals that haven't adapted continue to fall by the wayside. And in the meantime, you're getting the highest yields around for any company of equivalent quality. I think those are good reasons to continue to be patient with both of these stocks.

**Q.** Good morning, Roger, how are you doing?

In the recent 6 months, I have been following a small lithium company (with uranium), **American Lithium** (OTC: LIACF). The company has won rights from the government for an area near Tonopah, NV called TLC project. Recently, the company has jumped from under \$2 to now over \$4. If you have time, perhaps you can take a look at this small company. Also, recent news, the company has registered for the NYSE, not sure how that works. Can you reply back if this company has potential in an account that's built for safety, income and best in class portfolios. I look at it as a homerun hitter amongst the best high average hitters in baseball. This company may have a hard time in the lithium arena and be best to avoid as well, I understand.

Our portfolio is providing us with good income, some capital appreciation with many best in class companies from Elliott and yourself. I always do my homework researching these companies before investing. And appreciate your

newsletters and guidance. Best—**Robert P.**

A. Hi Robert.

American Lithium's home market is the Toronto Stock Exchange, where it trades good volume on a daily basis and has done so since the late 1980s. It also has a decent sized market capitalization of a bit less than \$900 million, so listing NYSE shouldn't be too much of a stretch. The company has, however, been seeing some pretty strong interest from private placements already, including an upsized deal in October from CAD20 to CAD35 million. So, listing NYSE doesn't appear to be mission critical.

The company does have real projects. We won't see another round of full numbers until mid-January. As of the most recently issued numbers (through August 31, 2021), they did not appear to be close to making a profit or becoming cash flow positive. They also have a history of regulatory and legal challenges to development, which is pretty much the cost of doing business for mining companies. But they did have some good news for investors last week, with its Peruvian unit winning a favorable judicial ruling in relation to 32 of 151 disputed concessions in the country.

What this adds up to is a speculation on (1) The price and demand for lithium long-term and (2) this company's ability to develop prospective reserves. I think there's a high probability of lithium demand remaining strong for many years to come, given the need for energy storage and batteries' likely role.

I believe there are limits on pricing, as the history of every commodity cycle is that high prices encourage more production, conservation and use of alternatives. But there's a very good chance that if they can develop mines in a timely way, this stock will return to its old high in the mid-40s, and possibly go higher. It may even get there reasonably quickly if a larger player decides to acquire them.

The history of mining companies is that only a small handful will ever make it that far. And if American Lithium loses the ability to raise money before it starts earning revenue, it's basically finished as expenses ultimately consume available cash. Those prospects are pretty well illustrated by the stock's price history—which has seen it trade as high as \$46 in mid-2006 and as low as 6 cents in late 2019. Bottom line is don't bet more than you can afford to lose entirely.

Q. Dear Roger Conrad,

How I appreciate you!! For many years you have been our reliable, trusted and admired specialist in Utilities, amazingly covering every known detail!!! Thank you, thank you for the amazing, vast and reliable knowledge you possess which you pass along to your investors and students. May you continue to be the key for opening doors to your astounding knowledge for many, many years to come. Thank you!!—**Mary K.**

A. Thanks Mary. I very much appreciate your comments. As we said in our Happy Thanksgiving

message, we are here because of your interest and trust in us.

**Q.** Good Morning, Roger:

Is there a way I could get an excel and/or PDF of the Utility Report Card from Dec 2018? I can find the back issues of the newsletter. But when you hit the big green box for “UTILITY REPORT CARD” it takes you to the current one.

I was thinking of doing a simulation of buying the A and B rated stocks most below their max recommended entries and comparing to buying those closest to but not above their max recommended entries. I'd like to try that for Dec 2018, because the **Utilities Select SPDR** (NYSE: XLU) was high then and it is now also.

I'm wondering if I should rotate out of some of the stocks, I already own that are big winners into some of those that are cheap now. I know you can't give specific portfolio advice. But I thought you'd be wondering why someone would go to all this trouble.

Thanks for all your excellent work on behalf of us subscribers. I've calculated a 21% return on the stocks I've bought via CUI for 2021 (through end of October). Regards—**Kerry T.**

**A.** Hi Kerry.

Thanks for those kind words. I'm glad you've done so well this year with the recommendations, as that return is more than twice what the XLU has done as the most popular utility stock ETF.

Unfortunately, we don't currently have Utility Report Card back data available on our sites. I will look into what we do have in other places. There is a lot of data there.

As for the question of rotation, I will be giving my end-year recommendations in the December issue of CUI. I think there are a number of opportunities. That includes some possible wash sales of underperformers as well.

**Q.** Good morning, Roger.

I have a question for the next live chat regarding **Southwest Gas** (NYSE: SWX). What are the factors holding back the shares from immediately jumping to the offer price? Is Carl Icahn's offer active at this time, or is there a given date for him to make a formal offer? —**James C.**

**A.** Hi James.

Mr. Icahn's bid for Southwest Gas is currently in the form of an “unsolicited tender offer.” One reason it hasn't resulted in an immediate boost in SWX shares is it's non-binding. Another is it's opposed by management, which I think rightly considers it to be low ball. And there's literally never been a hostile takeover of a regulated utility, mainly because the number of legal hurdles.

Third, I think investors rightly perceive this as a ploy to get control of the Board and therefore affect company policy, without having to take on a \$4.5 to \$5 billion cash expense plus another

\$5.8 billion or so of assumed debt. Mr. Icahn has named 10 nominees for next year's election, enough to replace Southwest's entire board. That includes three nominees he says are "qualified" to replace the current CEO.

The latest development is that the antitrust waiting period has expired for Southwest's acquisition of the Questar Pipeline from Dominion Energy (NYSE: D). That removes the last major regulatory hurdle to this deal and should allow it to close by the end of December.

My view is this acquisition will be earnings accretive for Southwest, in both the short and long term. And I believe the same will be true of the company's purchase of Riggs Distler, which for the first time gives its utility construction unit Centuri the scale needed to be a standalone entity.

Together, they should provide the spur to keep Southwest's earnings and dividends growing at a mid-single digit annual rate, should the company remain in its current form. That I believe will take the stock well past the \$75 mark the next few years and eventually to a new high in the mid-90s or higher.

On the other hand, if Mr. Icahn succeeds in making big changes, we could see those gains a lot faster. But either way, I think it's well worth holding onto Southwest shares, rather than tying them up with the tender offer.

**Q.** Hello Roger,

I read with interest Vistra Corp's (NYSE: VST) plan to buy back \$6 billion in stock over the next five years. According to Etrade, VST's current market cap is ~\$9 billion. Am I reading this correctly that they are planning to buy back 2/3rds of their stock? Thanks much. —**David F.**

**A.** Hi David

Those are the numbers Vistra has laid out. They're of course contingent on being able to generate the expected levels of free cash flow, but most of that does appear to be under management's control as it involves cost savings.

This announcement should be viewed as the result of what was a comprehensive strategic review. It's been management's contention the past couple years that the shares are grossly undervalued, and they've even indicated an interest in going private. Buying back up to 60% of market cap could be construed as a big step toward ultimately moving in that direction. But the important thing for us--as I noted featuring the company in the Aggressive Focus section of the November CUI issue--is this is a real sign of strength for a stock trading at less than 7 times expected next 12 months earnings.

The announcement has triggered a boost in Vistra shares. But the rebound so far is only back to the top of the range they've held since early March 2021 immediately following the hit from Winter Storm Uri. And shares are still at less than five times expected next 12 months earnings. I think there's a lot more upside ahead, though we may have to wait for the company to prove itself this coming winter.

Q. Roger:

Hope you had a good Thanksgiving.

I am wondering about the change at the top for **Pembina Pipeline** (TSX: PPL, NYSE: PBA). The market seems to be reacting poorly to the news. Is there anything to this? Are you still high on PBA? Thanks--**Jerry F**

A. Hi Jerry. From this outsider's perspective Mick Dilger's departure seemed to be rather sudden. That was also the take from the Toronto Globe and Mail business reporters, which sometimes have insights on this kind of thing. The CIBC analyst said "it is possible there was a difference of opinion with the board with respect to strategy. But the bottom line is until the company issues more clarification everyone is just speculating. And in the meantime, the CFO of seven years moving to the CEO position would seem to indicate a large degree of continuity in strategy—including the "guardrails" that management has cited as its guide to what asset expansion/acquisitions to pursue.

The market hates uncertainty. And few things raise more questions than when a long-time and highly respected CEO suddenly leaves a company. I also think the fact this news comes at a time when North American midstream stocks in general are already under pressure on the lack of volumes recovery so far only accentuates the impact. But I'm encouraged by the fact the CFO turned CEO has affirmed 2021 EBITDA guidance of CAD3.3 to CAD3.4 billion, which would seem to indicate nothing has changed financially. And despite the stock still being up more than 35 percent this year, I think it's still cheap with a bright future as Canada's third largest midstream company behind **Enbridge Inc** (TSX: ENB, NYSE: ENB) and **TC Energy** (TSX: TRP, NYSE: TRP)—both of which, by the way also look cheap after selling off this month.

Whew. That's it for the pre-chat questions. Now let's get to some live ones.

**Sohel**

2:21

Hello Roger, Glad to join these chats. Incredibly helpful, Has your outlook on ET, PAGP, VLO changed over last few weeks?



Roger Conrad

2:21

Hi Sohel. Thanks for those kind words. We thought the Q3 numbers and guidance from Energy Transfer LP, Plains and Valero were quite good. And while obviously they're doing very different things as businesses, we believe they'll add to the gains we've seen this year as this energy price cycle progresses.

Of course, as we're seeing now with this market selloff, when program trades go into action,

almost nothing is immune. But the important thing is these companies have adjusted their financial and operating policies to this stage of the energy price cycle, which means balance sheets and dividends are safe and they're increasing dominance and future upside to the cycle. The midstream companies in particular have been hit by investor disappointment in the volume's recovery, or lack of one. But our view is we'll still see one and these stocks are how to play it.

**Guest**

2:28

AT&T and Verizon.



Roger Conrad

2:28

These are both very cheap stocks in a sector (communications) that's obviously not in favor now, despite the solid Q3 numbers and guidance we saw from these companies and other market leaders (Comcast, etc) a few weeks ago. My view is Verizon shares are a great buy at 9.4 times next 12 months earnings, a safe yield of over 5%, no real operating issues and every indication of strong 5G adoption. I believe AT&T in the low 20s is a compelling bargain and that selling is way overdone, though as I've said before I don't see shares really recovering until management comes clean on what its dividend is going to be post the Warner spinoff. And again, the entire communications sector is taking a beating now, including analyst favorite TMUS, which hit a new 52-week low today.

**AER**

2:37

Hi guys,

Thoughts on HES? How would you compare and contrast the risk/reward of HES to XOM? Thanks for all your work. Regards



Elliott Gue

2:37

Thanks for the question. I covered HES at some length in the November 11, 2021, issue of Energy & Income Advisor "The Cycle Broadens." In short, we really like this name and their strategy, which effectively involves using free cash flow from their Bakken shale acreage to fund the development of their world class acreage in Guyana. In particular, I don't think the market is giving HES enough credit for Guayana -- while HES has had to spend a lot of capital on this project over the past few years, the cash flow equation for Guyana is about to flip as production ramps up over the next few years. When the dust settles, I think Guyana is self-funding in 2022

and becomes a huge source of free cash flow by 2024 that will continue for many years (likely 15+ years). We don't have it in the portfolio yet; however, as this recent correction in energy unfolds, it's an example of a name we're considering. Of course, XOM and HES are both plays on Guyana -- I'd say that XOM is less risky and is a rock-solid buy right now especially with its attractive yield. However, HES probably has more long-term upside capital appreciation potential commensurate with its higher risk profile.

**Jimmy C.**

2:38

You guys bring an extra sandwich. It may be a marathon.



Elliott Gue

2:38

Thanks! I'm all stocked up on food and drinks. We had one of these chats last 11 hours one time, so we'll be here as long as we need to be.

**Eric**

2:42

Why has BEP come down so much from earlier in the year whereas NEP is near all-time highs? Is one more attractive than the other for fresh cash?



Roger Conrad

2:42

Hi Eric. One big reason is Brookfield's LP and especially its C-Corp shares ran a lot higher than NextEra Energy Partners when people were buying the so-called "Biden Trade" earlier this year. And as a result, both BEP and BEPC gave us an opportunity to sell well above our designated "profit taking" points for quite a while. As you point out, shares have sold off hard since. But they've actually been pretty steady since falling under our highest recommended entry point of 40 for both. NEP also hit profit taking territory early this year, sold off to levels where I could again rate the shares a buy and have since moved back above those levels.

As for underlying business health, both BEP and NEP had very strong Q3 numbers and guidance. NEP is likely being treated better by investors because of the strength of parent NextEra Energy and because it's raising its dividend faster. I think BEP/BEPC are more attractive on a valuation basis but both look set for strong growth for years to come.

**Ron**

2:43



Do you see the possibility of OPEC not gradually increasing production in light of recent COVID news as well as political finger pointing from the current administration.



Elliott Gue

2:43

Yes, when OPEC+ meets later this week I suspect they will, at a minimum announce a pause in planned 400,000 bbl/day monthly output increases. They might even cut output though I'd put the probability of that at no better than 1-in-3. As for SPR releases, consider that keeping 400,000 bbl/day off the market for one month undoes 12 million bbl of releases and if they do that for, say, 3 months the effect magnifies. Bottom line: in a battle between SPR releases and OPEC+ my money is on OPEC+ as it's far easier as sooner or later, the market will become concerned about the declining barrels in SPR.

**Bonnie**

2:44

Hi Roger, I am sorry I arrived late in chat. I did receive your personal reply and information regarding ETR. Thank you so much for your insights, greatly appreciate. My husband and I have a lot to think about regarding ETR!



Roger Conrad

2:44

My pleasure Bonnie. Like I said, I think Entergy the utility is very healthy and not expensive under 110.

**Larry W**

2:56

How is AGLXY looking as inexpensive investment? It has been going down, but is it "too big to fail"?



Roger Conrad

2:56

Hi Larry. I hesitate to call any company too big to fail. But AGL is Australia's leading retail energy marketer, renewable energy producer, fossil fuel electricity producer and distributed energy (rooftop solar) company. And it's about to be one of the world's leading operators of utility-scale energy storage facilities On top of that, it's rated investment grade and management

has a solid record of meeting guidance its sets. I think there are reasons to be concerned about the spilt up of the company. But I also think there's good reason to expect the sum of the parts to wind up worth 3 to 4 times the current whole. This stock is for the patient only. I don't advise doubling down. And there's a case to be made for a wash sale here--since significant upside is unlikely until the spinoff. But while I wish I had recommended selling this one a couple years ago when Australia's Labor Party lost elections, I do think there's still hope here.

**Hans**

2:57

Elliott, What is your outlook for oil now with the new virus and opec meeting this week.



Elliott Gue

2:57

I am actually working on a detailed flash alert re: oil and gas which we'll be sending out over the next few days. Basically, I think that the sell-off in oil is overdone and likely the result of speculators caught wrong-footed by the bullish reaction in oil following Biden's SPR release quickly followed by the omicron panic. One way we can see this is to compare the action in energy stocks to the move in the commodity. Specifically, since November 24th (the day before the holiday) oil prices are down 15% but the S&P 500 Energy Index is down just 5%. Last week, in fact, energy was actually the best-performing group in the S&P, rising 1.6% while the S&P 500 was down more than 2%. If the market were truly concerned about a prolonged bear market in crude, energy stocks would fall in line with or more than oil as they did back in March and April of 2020. The delta variant didn't really disrupt the recovery in global oil demand -- oil prices drifted higher over this time as did energy stocks.

I'm not an armchair doctor or virologist. I have no idea whether this one is worse than delta or not (not sure anyone does). Moreover, I try hard to avoid allowing anecdotal evidence cloud my judgement and I fear my own personal experience with COVID infection (like a cold) makes me naturally inclined to discount the risks to demand. However, I think that a good baseline forecast is that the actual hit to demand will be more delta-like rather than spring 2020 like. If that's the case, oil has massively overreacted. Also, remember, that back in spring 2020, OPEC+ was in disarray whereas today they're far more united. In fact, given the ongoing investment shortfalls across the industry and OPEC's likely reaction (postponing planned supply increases) I think that we're actually seeing smaller probability of a temporary oversupply in 2022 and, therefore, there's some upside risk for oil early next year.

**Dan E.**

3:01

Hi Roger, Could you provide some thoughts on what it's going to take for D and KMI to get some higher price traction?



Roger Conrad

3:01

I think in Kinder Morgan's case, it has to be a volumes recovery, meaning that we reach a stage in the energy cycle where North American producers start to increase output meaningfully. We've discussed reasons why that hasn't happened yet--fear of a price relapse, regulation, ESG-focused investors etc. But the driver of every energy cycle is investment. And the longer it lags, the higher prices are likely to go eventually, and the more likely investment will eventually flow. I do think Kinder has proven in operating results and actions such as dividend increases, debt reduction and acquisitions that it has adjusted to the current low volumes environment. But again, investors were apparently hoping for more volumes in Q3 and have punished shares of Kinder and other midstream for the lack of them.

Regarding Dominion Energy, I think people are looking at how the incoming Youngkin Administration (VA governor) will treat its long-term investment plans, as well as a close on the sale of Questar Pipeline.

Following up with Dominion, the Questar sale to Southwest Gas Holdings has been loudly opposed by activist investor Carl Icahn as part of his plan to take over that company. Icahn has a \$75 per share tender offer on the table that's opposed by Southwest management. But there's never been a successful hostile takeover of a utility and the real play appears to be to take control of the board without one, as Icahn has fielded candidates to replace the entire board for next year's meeting. The Questar sale has cleared its only real regulatory hurdle (anti-trust), management appears determined to close by the end of the year and the deal doesn't allow a change of mind in any case. But I think until Dominion has received the money, some will be uncertain.

Continuing with Dominion, the change in government in Richmond also should not affect the company's business plans in my view. Mr Youngkin has at times expressed skepticism about wind power and the company earlier this month announced a higher cost estimate for its offshore wind project than initially estimated--though those costs now appear to be locked in. But we also believe the new governor is actually likely to be more favorable to business than the previous one, based on statements so far and people named for key jobs. Bottom line: Both of these risks are overstated and the stock should benefit when there's additional clarity in coming months. I also think the dividend increase promised for next year will be positive.

**Jimmy**

3:02

Elliott: Do you think OPEC+ will react to the strategic stockpile withdrawal and the severe drop in oil prices in the past few days by reducing output and maybe delaying the planned increases that have been scheduled?



Elliott Gue

3:02

Yes, I do. I think minimum baseline is that they postpone 400,000 bbl/day increase planned for January and I think the probability of a more dramatic move is rising, especially in light of threats yesterday from the Biden Admin re: potentially releasing more from SPR. Of course, as I said, I don't know much about this variant and its effect on demand; however, I think there's a growing risk that OPEC+ overreacts short term, the hit to demand is much less than implied by the recent drop in crude prices and the market actually tightens more than previously expected in H1 2022.

One more thing to watch re: oil, the market and coronavirus. Over the holiday, I spent some time examining the correlation between the relative performance of cyclical value groups like energy and the rest of the S&P 500 and the number of positive virus tests in the US. I also looked at relative performance of small vs. large stocks on a similar basis. What I found is a right fit -- when cases surge, value and cyclicals underperform and when US cases fall, the opposite happens. My hypothesis is that at some point that will change -- the negative impact of coronavirus headlines and surges on cyclical stocks will diminish as will the positive impact on growth and lockdown groups. When that happens, the pandemic will be over (as far as the market is concerned). Hasn't happened yet but if omicron "fizzles" it definitely could.

### **Arnold S**

3:11

Hi everyone... I have a general question about price targets from various Wall Street securities analysts. Examples: CEQP is currently about \$25 and one firm has their target at \$32. COP target is \$101. One firm has Exxon price target at \$95. EPD was cut to \$26 at one firm. Should I pay any attention to these predictions, or are these people just making wild guesses?



Elliott Gue

3:11

I don't know about all analysts but the Street analysts I have known and spoken to about this generally use a valuation framework to assess targets for stocks. Sometimes this is based on multiples to earnings, EBITDA or free cash flow. On other occasions it's based on discounted free cash flow. Different analysts have different favorites and I tend to follow price targets from some analysts more closely than others. Generally, I'm still using paying more attention to discounted free cash flow metrics right now (a conservative technique) and I supplement that with relative performance/value metrics and technical considerations (charts) to determine my targets.

**Rick**

3:23

Hello Roger and Elliott:

Own WPC from well before you started C.T. Plan to buy MPW (<23) before year-end as another excellent long-term income holding (always subject to business performance).

Per your recent email, CONE seems worthwhile to own for more of a growth kicker due to the evident growth in data centers plus management's Q3 excellent results.

Is a HOLD (re 12/31 dividend due/good odds on possible higher takeover bid vs. failure of current bid.) But am tempted to buy some now at just under \$90. Would like to own another REIT for reasons above and continue to do so long-term. My decision of course but your thoughts?

Thanks!



Roger Conrad

3:23

Hi Rick. I continue to like both WP Carey and Medical Properties Trust--solid business models backing safe, growing dividends over 5% are pretty rare these days even in the REITs space. Both had pretty strong Q3 results and guidance as well, and I think MPW should get a nice lift in the next few months from closing several major transactions.

As for CyrusOne, I don't have any reason to believe the all-cash takeover offer from KKR/Global Infrastructure Partners will fail. Though we've seen some "investigations" of the price from the usual lawfirms (Lifshitz, etc), there appear to be few if any regulatory hurdles and the would-be acquirers certainly have the financing power to get it done. It's possible the bid could go slightly higher but as you noted the main reason for the hold rec is to collect the Jan dividend and slight discount between the current market price and the \$90 offer. I do intend to replace it. But in the meantime, the REIT Sheet Recommended list has better buys.



Elliott Gue

3:31

I get the strip price from Bloomberg. For WTI the current 12 month calendar strip is \$64.90 down from a high of just over \$79 on October 20th. We're back to where we were in early September on this basis but it's still a healthy number for most producers.

**Ken V**

3:31

Here are several questions for today

Assuming that the progression of Omicron is similar to the experience with Delta, and that effective vaccines/therapeutics may still be several months away at best, it looks like energy could be under pressure for some time before the supply/demand fundamentals you have been elaborating for some time regain their importance. Do we buy more or just hold?

You often talk about the importance of the strip price. Where is that published, or do we have to calculate it ourselves? It would be helpful if you included a chart in your monthly letter.

How important is a return of Iran to the market? They are already selling to China, so it should not mean their entire output will be added to world supply, just the excess over what China is buying.

If Biden curtails exports, which MLP's will suffer? Will it be enough to threaten dividends? Thank you for holding these chats.



Elliott Gue

3:31

I've covered the omicron/demand issue in answering a few other questions so I won't belabor the point here. Suffice it to say that I think delta is a good starting point as an analog -- we started hearing about delta back in February and then we saw seasonal surges in US cases in some states (Sunbelt) in the summer. However, there really wasn't much impact on oil demand or the performance of energy stocks -- WTI was in the \$52.50 range at the beginning of February and surged to \$75/bbl by early July. From the end of January through the end of June, energy was the top-performing sector in the S&P 500 +40.3% compared to the S&P 500 up 16.4%. Add in the upside risk from OPEC+ supply cuts and I think there's limited risk to oil from here.

**Q:** How important is a return of Iran to the market? They are already selling to China, so it should not mean their entire output will be added to world supply, just the excess over what China is buying. **A:** Yes, I really don't think this is a huge issue for the market as Iran is currently producing 2.53 million bbl/day compared to more like 3.75 million before export restrictions. So, I'm looking for (at best) a gradual return of 1.25 million bbl/day to the global market over a period of many months. OPEC+ can also cushion the impact by holding production off the market to accommodate Iran -- all told, I think any negative impact on oil is in the prices.

**Q:** If Biden curtails exports, which MLP's will suffer? I suspect the Biden administration might focus on banning oil exports, so MLPs that focus more heavily on oil would see the worst impacts. That would be further softened by fixed rate throughput contracts with producers. I'd only see it threatening dividends if such a move were prolonged and I don't think it's a move they're likely to make because it would backfire. The reason I say that is US oil trade is more about the TYPE of oil than the quantity of oil. The US is still a net importer of oil -- we tend to

import heavier and sour grades of crude and export light sweet crude (most shale production is light, sweet). So banning exports would trap more light sweet oil in the US; yet, US refiners are already maxxed out on this type of oil. The need to import heavy sour crude would remain undiminished so it would have a limited impact on total US oil imports. Further, it would annoy our trading partners by driving up the price of Brent and other light sweet crudes while handing a huge chunk of cash to OPEC+ by cutting global oil supply by some 3 million bbl/day

**Sohel**

3:32

BEPC continues to make new lows ... is it still a buy?



Roger Conrad

3:32

Brookfield's C-Corp shares did hit a new 52-week low last week. On the other hand, it's just a few dollars below my highest recommended entry point of 40, and it's been reasonably stable since dropping to that level in May. Most important, however, is the fact that this company is operating well, boosting underlying earnings power while strengthening its balance sheet with development/acquisitions of contracted wind, hydro and solar energy facilities--something it's been doing for years. The past couple quarters have especially demonstrated the company's growing strength from adding scale, as FFO per unit rose 16.1% despite weaker wind and water conditions in North America. That's a stark contrast to several years ago, when FFO/earnings varied wildly from quarter to quarter depending on wind and water. I never advise really loading up on any one particular stock. But Brookfield is a solid buy for conservative investors who don't already own it. Earlier this year, it was overhyped. That's no longer the case.

**Mr. G**

3:37

EPD is supposed to be Best in Class but it's been acting like a laggard, with one of the highest payouts %wise - what's the matter? Is it like it's Rodney Dangerfield - it gets no respect?



Roger Conrad

3:37

Hi Mr G. As I said answering a question about Kinder Morgan earlier in the chat, Enterprise shares like those of other midstream companies are currently suffering from investor disappointment--due to the general lack of a volumes recovery. We think one will eventually happen. But what gets lost I think is that EPD and the other best in class of the sector have fully adapted to a low volumes environment with their financial and operating policies--demonstrated by EPD's high coverage ratio and free cash flow generation after dividends despite tepid Q3 volumes. That means the dividend of close to 8.5% is safe and set to keep growing--which is pretty good pay for us to just be patient with the shares a while longer.

**Mack**

3:42

With the recent pullback, I am thinking of adding to existing positions in CEQP, HESM, MPLX and PAA. Most have yields over 9%, approaching 10%, and look like screaming buys to me. But am I missing something? Thanks.



Roger Conrad

3:42

I don't think you are. All of these companies had very strong Q3 coverage ratios and free cash flow generation after dividends--despite what was a rather tepid volumes recovery for North American midstream overall. Again, investors seem to be looking for more of a volumes recovery before giving these midstream company stocks another leg up (all are up substantially this year despite recent selling). And one isn't likely until producers get more comfortable cranking up investment. But the point is these companies will be raising dividends and buying back stock even if the volumes recovery takes a year or more to emerge. The one caveat is they'll likely sell off too if the stock market really rolls over here. But the dividends are adapted to bear market conditions already.

**Jimmy**

3:48



Elliott: Would you address the "stranded asset" issue with big oil as EV's become more prominent? Some have suggested it may be a 3T problem.



Elliott Gue

3:48

I simply don't see oil projects as stranded assets. EVs haven't yet had much of an impact on global oil demand, which is still growing. Moreover, oil is likely to remain the dominant fuel for transportation globally for at least 20 years (likely more). What has happened is that the focus on ESG and EVs has starved the traditional oil and gas industry of capital, causing spending on exploration and development to remain very low. As a result, there simply aren't enough reserves out there to meet demand, putting upside pressure on prices (as we've seen this year). You could say that EVs are actually raising the price of oil by depressing the supply side of the market this cycle. I believe the market is beginning to reflect that as big oil companies that invest in oil (XOM is a perfect example) have dramatically outperformed the energy "transition" majors like BP in 2021.

**Ken in Phx**

3:51

Assuming that the progression of Omicron is similar to the experience with Delta, and that effective vaccines/therapeutics may still be several months away at best, it looks like energy could be under pressure for some time before the supply/demand fundamentals you have been elaborating for some time regain their importance. Do we buy more or just hold?

You often talk about the importance of the strip price. Where is that published, or do we have to calculate it ourselves? It would be helpful if you included a chart in your monthly letter. How important is a return of Iran to the market? They are already selling to China, so it should not mean their entire output will be added to world supply, just the excess over what China is buying.

If Biden curtails exports, which MLP's will suffer? Will it be enough to threaten dividends?



Elliott Gue

3:51

I answered these question in pieces earlier in the chat. My apologies for the disjointed answers but the chat provider limited the length of my replies and I can be a bit long-winded when talking about oil.

**Ken in Phx**

3:52

Would you consider also showing \$ size of position in your model portfolio? Number of shares does not give me an idea of current position sizes unless we are following your portfolio exactly.



Elliott Gue

3:52

I think that's a good and very valid point. In fact, Roger and I were just discussing this week some enhancements to the service we're planning for 2022 and that was one point we discussed - making the portfolio easier to use and track.

### **Richard L**

3:53

I don't hear much about this but it seems to me the rush to EV should be a giant boom for all electric utilities. Am I missing something? As always I have to ask about SO. Will the ongoing delays ever end? Thanks for your help.



Roger Conrad

3:53

Hi Richard. Certainly from an earnings standpoint that's true. If EVs and other electrified transportation modes are adopted at anything close to what governments want, there will ultimately be a lot more electricity consumed. But the more certain benefit will happen in the near term from deploying charging stations. Regulated utilities are the only companies in this space that can rate base whatever they invest in this area. In other words, so long as they have go ahead from the states where they operate, they'll immediately earn a guaranteed return of 9-10% on whatever they spend. It's hard to see how a company like **Chargepoint Holdings** (NYSE: CHPT) can possibly compete with that. And in any case, the utility makes its money off the investment no matter how many stations Chargepoint or Tesla build. **Edison International** (NYSE: EIX) is the utility that's currently getting the biggest bang from charging station investment. But electricians across the country are building in deployment to their CAPEX plans.

Continuing with the part of Richard's question on Southern Company, future major delays getting the Vogtle nuclear reactors up and running become less likely the more work is done. And as of the last update, Vogtle 3 had completed hot functional testing and the work overall was 95% complete. We also know this design works, as several reactors in China have operated now for a couple years. And while the NRC's inspection did find "two violations of federal regulations" at Vogtle, they were of "low-to-moderate safety significance. That said, I think it would be foolish to rule out the possibility of additional delays--two reasons are this is a first mover project in the US and the coronavirus combined with labor market pressures remain a workforce challenge. I'm comfortable holding Southern at this price. But until Vogtle gets closer to the finish line, I wouldn't buy over 65.

**JT**

4:10

Which, in your opinion, are the five best managed utility cos.?



Roger Conrad

4:10

Good question JT. Management quality is right up there with regulatory relations when it comes to rating the safety of utilities as investments. I'm happy to say that I'm pretty comfortable with the management teams at all of our electric, gas and water Portfolio holdings. As for standouts, I think Entergy has probably had the most difficult job proving itself this year in the wake of Hurricane Ida's destruction of its service territory and system infrastructure. Exelon's effort to complete the spinoff of its unregulated generation and energy retail business is a major challenge that's requiring debt management of regulatory, operational and financial issues--and so is very successful including successful settlement discussions in New York. Edison International appears to have avoided major wildfire liability for a third consecutive year, despite the fact that conditions are arguably worse than ever. Dominion Energy has navigated two big shifts in Virginia politics the past few years--and managed to get a better price for selling the Questar Pipeline after federal regulators rejected its sale to Berkshire Hathaway. And finally, I think Southern Company management has done a terrific job managing a huge project (the Vogtle nuclear plant) beset by numerous challenges beyond its control--including the bankruptcy of the lead contractor, soaring commodity costs and workforce disruption from Covid. Through that it's held support of regulators and its municipality partners in the project. And (thanks to lower-than-expected financing costs) it looks like the project will still come in at a lower all-in price than initial expectations. So, there you go.

**Arnold S**

4:26

Any thoughts about Capital Product Partners LP CPLP ?

Are they just doing well because of excess charges for sea freight right now, or is there a real reason to hold this one for the long term?



Roger Conrad

4:26

Hi Arnold. They've pretty much turned things around since splitting off and merging the crude oil tanker business with the former Diamond S Shipping. That company merged with **International Seaways** (NYSE: INSW) back in July, with each DSSI share exchanged for 0.5537 shares of INSW. That deal was a positive for those who kept their Diamond S after the CPLP transaction.

As for CPLP now, they've kept things conservative financially, including holding the dividend at 10 cents a quarter so far. But they're definitely benefitting from the current environment and are using it to build a stronger market position by taking advantage of willing sellers--including taking delivery of two LNG vessels this. It's worth noting that these companies tend to be run primarily for the benefit of their ultimate owners. But it looks like CPLP is in good shape once again to reverse at least a portion of its long drop from a split-adjusted \$153 plus in 2007.

**Bonnie**

4:36

First, thank you so much for all your help over the years. I have done very well in my CUI portfolio. I appreciate your insights on ETR. I have a question on D. I am reading the short, mid and LT analyst sentiments on D and they are not looking positive. Can you provide some insights on D and what are your thoughts on DUK and EIX which they say are competitors?



Roger Conrad

4:36

I suppose Duke Energy and Edison International compete with Dominion Energy for investment dollars. But as regulated monopolies serving specific regions of the country, they're not business competitors in any way, shape or form. In fact, they're business cooperators--as prominent members of the primary electric utility trade group the Edison Electric Institute. I also note that analyst sentiment on Dominion is actually the most positive overall that it's been all year, with 12 of the 18 analysts covering it as tracked by Bloomberg rating it buy, versus 6 holds and no sells. As I said earlier in the chat, I believe investors want to see more clarity on the sale of the Questar Pipeline and relations with Virginia's new governor. But other than that, things are pretty bright for this company from a business standpoint, and I expect a dividend increase early next year.

I do like Duke at a price under 100--as it is after today's selloff. The company has a huge investment opportunity in renewable energy under

Picking up on Bonnie's question. Duke has a big investment opportunity under North Carolina's new energy law. And management has proven its skill navigating a challenging regulatory and investment opportunity, reaching a deal with activist investor Elliott Management that should benefit all shareholders. As for Edison, the more they prove their ability to avoid more liability from California wildfires, the better I think their stock will perform. Bottom line, I like all three companies.

**Michael**

4:48

Hi Roger, Picked up VOD today on the drop and was wondering if they have posted numbers subsequent to your recommendation in DDI.



Roger Conrad

4:48

Hi Michael. They did post earnings and declared a dividend as well--the same semi-annual rate in Euros they've paid since Feb 2020. I thought the numbers (first half FY2022, end Sept 30) were pretty solid and I definitely liked the increased guidance from management. Covid and its impact on roaming revenue as a global company is a concern but I think pretty well reflected in the guidance and share price. And I think the dividend is safe--well covered with free cash flow and with revenue rising again company wide (5%). I am considering adding to the position, though I want to see where this selloff takes the price in the near term, as we may get a better entry point.

**Guest**

4:54

Roger: what do you think of ES and SO? Are dividends relatively safe? Any chance for meaningful price appreciation?



Roger Conrad

4:54

Dividends are definitely very safe at both companies. I think EverSource has potential for significant long-term upside if management can execute on its planned construction of offshore wind facilities in New England. They also have an opportunity in transmission construction, as there are projects available and the Biden Administration's spending on infrastructure is likely to more than offset the impact of lower allowed returns on transmission from the Federal Energy Regulatory Commission. The company has done a great job staying on the same page with New England regulators, particularly in often contentious Connecticut. I don't see much risk to the 5-7% annual earnings and dividend growth target through 2025. As for Southern, the key to meaningful appreciation is getting Vogtle built as I've noted earlier in the chat. But the dividend is safe. They also plan to get into the mini-nuclear plant business, announcing a venture with Bill Gates' company this month.

**Ken in Phx**

4:54

I see you said you answered all the pre-chat questions. Perhaps mine arrived too late, so here they are again.



Roger Conrad

4:54

Thanks Ken

**Mark**

5:01

Hi Roger and Elliott I am really late getting on this month's Live Chat and I am sure this has already been addressed but if not I would appreciate your thoughts on our midstream favorites EDP, MMP, KMI and ET and the energy sector in general , all of which is falling away rapidly. Is there any reason to believe this segment will recover without a change in the energy investment climate, government anti oil and gas policies and regulations, real economic growth, and an end to Covid fear and trembling. Thanks for all you do. Mark



Roger Conrad

5:01

Hi Mark. We have actually addressed each of these individually so I'll keep this answer to three main points concerning best in class midstream companies--which each of these are. First, even after today, all of them are still up quite nicely year to date. I make this point because they've made gains despite all of those macro conditions you've named, which if anything were worse at the beginning of this year than they are now. Second, all of these companies reported very strong Q3 results including high distribution coverage, low debt/EBITDA (with debt reduction) and free cash flow generation after dividends and CAPEX. And they've done this despite the very tepid volumes recovery I've pointed out. Bottom line is they've adapted to where we are in the energy cycle now and dividends and balance sheets are safe as a result. Third, these stocks have sold off in the weeks since announcing Q3 numbers in large part with the market now but before that because investors seemed to be expecting a more robust volumes

Continuing with Mark's question, a more robust volumes recovery, or at least more guidance that one is imminent. But if we know one thing about commodity price cycles, it's that they're driven by investment. And the longer that's lacking from producers--for fear of a significant price relapse, new regulation and ESG pressure on sector investment--the higher prices are likely to go this cycle. The only way that reverses is with a volumes recovery to increase supply. And at that point, we should see more significant gains in midstream stocks--in addition to the yields, which right now are off the chart for companies that can easily increase them.

**Jimmy**

5:15

Roger: Algonquin has lost all its sizzle. Any fundamental issues with the company?



Roger Conrad

5:15

No. In fact, as this company gains scale with new development and acquisitions, it's clearly building earnings and dividend growth. I have thought for a while that they would slow the 10% annual dividend growth rate of the past several years. But they certainly appear capable of easily sustaining mid to upper single digit growth for the foreseeable future. And at the current price that's off of a 5% plus yield. Q3 earnings were pretty solid I thought and confirmed that management's strategy is on track.

The company is waiting on regulatory approval for two transactions--the purchase of AEP's Kentucky utility and subsequent sale of interest in a coal-fired power plant, and the purchase of American Water Works' water utilities in New York state. Both appear to be on track and will significantly increase Algonquin's earnings power, and ability to invest in contracted renewable energy as well.

There was a time earlier this year when we were advising taking partial profits in Algonquin--mainly when renewable energy frenzy ran up the stock to when it was trading on a lot more hype than substance. But I think at this price and at this time, it's trading at a great entry point. Depending on how long this stock market selloff goes on, it may go a bit lower. But this company is in great shape to grow in a business it knows well.

**Victor**

5:26

Biden wants to increase the cost to lease land for oil exploration by 50%. He is also investigating oil and gas companies regarding "price gouging", and he is taking more measures hostile to the oil industry. On the other hand, he is asking the Saudis to produce more oil and he is tapping on the strategic oil reserve. What do you make out of this?



Elliott Gue

5:26

Any policies which restrict domestic oil output are bullish for oil prices, so this will tend to inflate the price of oil. It's also (in my view) potential political suicide because inflation -- particularly for basic necessities like energy -- is the biggest economic concern for most Americans (if polls and consumer confidence surveys are to be believed). SPR releases historically have little or no prolonged impact on oil prices...if we drain SPR too far it will be bullish for oil because it reduces the supply cushion the US has to address short term imbalances.

Plus, remember that Saudi and OPEC+ are typically boosting output when the price is rising/high -- it's shrinking spare capacity that drives prices higher.

**Nolan**

5:26

Any thoughts on DVN it has gone from \$10 to \$40 and I didn't find anything about it in the portfolios. Any thoughts



Elliott Gue

5:26

We still like DVN generally. They have a fairly low breakeven cost, good acreage and a plan to return capital to shareholders. We just prefer PXD and EOG in the portfolio. I think the roll-off of PXD's hedges next year is an underappreciated catalyst for the stock as is the potential for the stock to offer an all-in yield of well over 10%.

**John Canizaro**

5:27

What are your thoughts on WTRG? Getting kind of boring holding it with no price movement.



Roger Conrad

5:27

Hi John. "Boring" is not a particularly bad thing on a day like today I think. And that stability is underscored by one of the steadiest business plans I'm aware of, confirmed by management's reaffirmation of 2021 guidance earlier this month and solid Q3 results. I don't see many hurdles to reliable upper single digit dividend growth going forward.

If there's one thing about Essential Utilities I could become concerned about it's the slow pace they've encountered getting regulatory approvals for recent acquisitions of municipal systems-- the main one being of the wastewater system DELCORA that's at this point tied up in court. But management has plenty else going on to keep earnings momentum going.

One last point I'll make about Essential is that I've held the DRIP for this company since the mid-1990s--and with little additional investment other than reinvesting dividends the account is worth 25-30 times what I initially put in.

**Victor**

5:31



Elliott, you mentioned in the past that the solution for high oil prices is "high" oil prices. In your opinion what would be the price of oil in which demand for oil starts shrinking due to high oil prices and thus we get a balanced market?



Elliott Gue

5:31

Oil demand is pretty inelastic -- rising prices don't usually have an immediate impact on demand due to the lack of substitutes for oil/gasoline. After all, I'm quietly confident the solution most will choose for \$5/gallon gasoline, probably isn't going to be the purchase of a \$50,000 electric vehicle. I think the bigger impact is via the supply side -- at some point, shale producers will start to ramp up production to take advantage of higher prices. I suspect that you won't see a major shale supply response until most or all OPEC production has been restored (i.e. OPEC no longer has significant production taken offline during the pandemic to restore and spare capacity is tight). So, I think the supply side will be the big driver of prices this cycle and you'll probably see this kick in in H2 2022 if OPEC restores output and prices are still in the \$80/bbl region.

### **Dragomir**

5:37

Hi Roger & Elliott. While utilities have been in a modest sector swoon for a few months, AQN, one of my larger holdings, seems to be hit harder than most. Any insight into what ails AQN? Thanks.



Roger Conrad

5:37

I think the main reason Algonquin got hit harder than other electric companies is the same as why Brookfield Renewable did. Mainly, people who wanted to bet on the so-called "Biden Trade" on renewable energy following the election last year jumped into it and bid their stocks up. And when that bubble burst, they came down with the rest. Both companies as I've pointed out in this chat posted strong Q3 earnings and affirmed robust guidance. Both have raised dividends much faster than inflation. And they continue to execute successfully on asset expansion plans. But earlier this year, their share prices ran well ahead of their business growth and they've since come down to good entry points.

Taking advantage of this type of volatility is why several years ago I started posting the "trading above targets" list in every issue of CUI. We actually got an opportunity to take partial profits in many of these renewable energy stocks when share prices ran ahead of business value. Now that's no longer the case.

Continuing on Algonquin--it's a great company that's once again trading at a good entry point.

**Victor**

5:37

PDCE doubled this year. It does correlate with oil prices but not as much as others. Do you see more potential on this name?



Elliott Gue

5:37

I suspect PDCE would rally with oil generally. But, there are lower cost producers out there with higher dividend potential so we prefer others. It has done well since late last year mainly because it was so distressed in late 2020 and got saved by higher oil prices.

**Victor**

5:39

TTE and RDS.A have not done very well this year. What is your opinion on these two?



Elliott Gue

5:39

Generally I think all of the supermajors will be OK long term. But we prefer the "growthier" names that have continued to invest through the downcycle. This is exactly what supermajors are supposed to do -- take advantage of their massive balance sheets and low cost of capital to invest at the bottom of the cycle. XOM is a perfect example, up 54% this year vs. 25% for RDS/A.

**Nolan**

5:41

I bought DVN @ \$10 and it has gone up to \$40 I know I should take profits but I just can't let go. I couldn't find



Elliott Gue

5:41

I covered DV earlier in the chat. Generally, I think they're solid, we just prefer names with better lower production costs and more direct capital return/dividend upside potential.

**Jimmy**

5:48

Roger: Do you think Pacific Electric and Gas is performing in such a way to regain investor trust in the next few years. How many years before a small dividend might be paid?



Roger Conrad

5:48

Hi Jimmy. I think PG&E has a long way to go before fully regaining anyone's trust. But hiring Patti Poppe as CEO earlier this year was the best possible step they could have taken to get there. I met her briefly at an Edison Electric Institute financial conference a few years ago when she was still CEO of CMS Energy. But before that, she had already impressed me with what she'd accomplished at CMS, enabling the Michigan utility to grow earnings and dividends robustly primarily by improving efficiency, while navigating regulation. So far, her tenure at PG&E has had its rocky points, including the company's potential \$1.15 bil liability for the Dixie Fire this year. But there are also signs of real progress in improving safety, though her plan to bury power lines may be cut down. Bottom line is I still think this company is on the path to recovery, and a dividend in the next five years. But it is going to take patience for investors. And if Ms Poppe were to leave, I might reconsider that view.

**Lee**

5:52

I love these chats.... many thanks. I'm wondering what to do with TGP shares. They're trading within a few cents of the takeover target of 17. Since the market is in a tailspin and other stocks are getting cheaper, it might be a good time to sell TGP to finance the purchase of PXD,



Roger Conrad

5:52

Hi Lee. So long as Teekay has that all-cash takeover offer of \$17 per share in hand from Stonepeak, it's unlikely to sell off much, no matter how much further the market sells off. And the only reason I could why the deal would fall apart would be Stonepeak suddenly being unable to come up with the \$1.5 bil or so in cash. That said, it appears to have paid its last dividend, limiting upside to the takeout point. And if the deal did collapse for whatever reason, I think a quick trip to a single digit share price can't be ruled out.

**Victor**

5:57

I'm still holding some SHLX. It has a decent yield but it hasn't gone up in price. What is your opinion it hasn't even with the recent move on oil prices.



Roger Conrad

5:57

Hi Victor. Our view is Shell Midstream Partners is going to be essentially dead money until general partner and 68.51% owner Royal Dutch Shell finally comes clean on its long-term intentions. It's been clear for a while that Shell is no longer interested in dropping down assets-- and why should it given SHLX' extremely high cost of common equity at a 10.5% yield? We've already seen one dividend cut. And though management talked a good game in the Q3 call about considering buying back stock or raising dividends, the existing franchise has been under pressure from soft volumes and operating problems at the Colonial Pipeline system. We believe the most likely outcome here is Shell looks for a low price to buy up the common shares it does not currently own. Until then, there are any number of midstream companies without the risks of SHLX and equally high yields.

**Jeff**

6:02

Roger, just got home so forgive me if you have answered this. What is going on with AQN. It's kind of gone straight since I bought it at a buy under price.



Roger Conrad

6:02

Hi Jeff. Yes, I've fielded several questions on Algonquin today. Bottom line is the underlying business is still very strong and growing. There are two major acquisitions in the works that will present some uncertainty until they close, and concern about financing is likely stirring some caution on the company. But both deals still appear on track to lift earnings power next year.

I think we can also chalk up some of the recent weakness to the selloff of utilities overall--today was one of the worst I've seen for the DJUA. But in any case, I'm very comfortable continuing to recommend Algonquin, which was expensive earlier this year but is now at a great entry point.

**Bonnie**

6:03

Roger, I appreciate your clarification on D with relation to DUK and EIX. I will look over the previous chat for your comments on D and the new Virginia governor. Have a wonderful holiday and a Happy New Year! Thank you.



Roger Conrad

6:03

Thanks Bonnie. You do as well, though feel free to contact me anytime if I can be of help. I will also have a lot to say on these companies in the December issue of Conrad's Utility Investor next week.

**Mack**

6:05

Do you have an opinion on MGY (Magnolia)? Thanks..



Roger Conrad

6:05

It's not one we have in our coverage universe but we'll look into it. Certainly had a great year so far despite selling off a bit recently. Nice to see all that free cash flow.

**jack20**

6:11

Any facts or rumors as to why PBA CEO resigned so suddenly? Personally I thought he was doing a great job!



Roger Conrad

6:11

Hi Jack. Yes Mick Dilger was a favorite of most of us covering Pembina Pipeline, which I have since before he joined the company in 2005. As I pointed out answering one of the questions we received prior to the chat, the rumor is there was a difference of opinion with the Board on the future direction of the company. We can only speculate on that, since neither the company nor Mr Dilger has commented on the situation. But what we do know is the new CEO is the former CFO and has been around the company since early 2015. And while it's not always true, the CFO is often the guy at a company who knows best what's going on. Another thing that gives me confidence is the new CEO Scott Burrows affirmed the company's 2021 guidance when he took the helm. Bottom line--there's always uncertainty when a long-time leader leaves a company. But

in this case, I think the new leadership deserves the benefit of the doubt until we have a real reason to do otherwise.

**James**

6:18

Have you considered using stop losses on positions in Energy & Income advisor? What is the sell discipline in this service which seems to be very passive?



Roger Conrad

6:18

The sell discipline with all of our long-term advisories like EIA is basically to unload if (1) if a company starts to weaken as an underlying business and (2) if a stock appreciates to a point where the price doesn't appear sustainable. If you look back in our EIA issue archives on the website, you'll see we were huge sellers earlier in the energy price cycle when we saw oil and gas prices staying lower for longer. We advised wholesale selling of weaker names the past few years as well, especially in midstream in anticipation of dividend cuts as past versions of our Endangered Dividends List demonstrates. And in fact, a large number of companies in the coverage still rate sells. We also basically circled the wagons around the strongest companies a couple years ago before oil prices began their descent to zero. What we haven't (and won't) sell are stocks of companies that stayed strong on the inside--and today's action notwithstanding, that's a strategy that's paid off to date. As for reason two, we did sell half our position in Brookfield Renewable when it spiked up as part of the Biden trade. We anticipate selling more pieces of positions going forward as the energy cycle continues higher and stocks rise. Hope that answers your question.

**Andrew**

6:27

Hi Roger and Elliott,

Thanks again for all your hard work and the help you've given me over the last - well since 2008 when you were with a different service.

You touched on the issues with PBA - the CEO leaving abruptly - but I read somewhere that PBA was getting close to buying the assets it really wanted from Inter - from Brookfield. Have you seen or heard anything new on that?

Also, do you have any insight into the carbon capture project going on that at least one commentator suggested might be the reason Dilger resigned.



Roger Conrad

6:27

Thanks Andrew. I haven't seen anything new on Pembina's negotiations with Brookfield Asset Management over Inter Pipeline assets. Brookfield Infrastructure Corp (NYSE: BIPC) completed that deal earlier this month, and I imagine management has a lot to do to complete consolidation. But considering BIPC is basically a collection of assets--rather than an operating company like Pembina--I think a deal that's a win-win for both sides is certainly still very possible. The main question I would have is if a deal has been affected by the departure of CEO Dilger. And I think as outsiders we're just going to have to wait and see, though as I indicated earlier in the chat, I'm certainly comfortable sticking with Pembina at its current price.

Regarding the carbon capture project with TC Energy, I think it's basically the same wait and see for us. This venture was announced in June before the Inter Pipeline bidding war really heated up. And despite obvious potential it's more or less faded from view since.

In any case, the first phase wasn't expected to be completed until 2025, so there would not be any significant revenue contribution until then most probably. I expect our next opportunity to find out more will be in February when both companies announce 2021 and Q4 results.

**Andrew**

6:36

One more question if I can - Yieldcos. Thanks to you Roger, I got into these at prices for all four that I'm up over 100% on all of them - without dividends.

All the yieldcos are linked up with strong parents - CWEN - with Clearway, AY - with Algonquin, NEP with Nextera, and BEP with Brookfield. Given how prices have risen and yields come down, it seems unlikely any of them will be bought under, but do you see any new one's coming to market?

Given how ahead of the curve you were on yieldcos - do you see any similar investments on the horizon?

Thanks again for all you and Elliott do, and I hope you both have a wonderful holiday season.



Roger Conrad

6:36

No problem. I like all three of the yieldcos as well as BEP, which is actually organized as a limited partnership though investors can buy it through the C-Corp shares under the BEPC symbol. I'm happy you were able to take advantage of them when they were unloved and trading at much lower prices. And I think all of them have upside left from asset expansion that leads to dividend growth.

The yieldcos came out quite hyped up early in the previous decade, sold as renewable energy analogues to then very popular MLPs. When MLPs fell out of favor, they did as well. We saw an opportunity when financially weak original sponsors like SunPower sold their controlling interests to stronger companies like Brookfield, Algonquin and the like. And since then, they've proven the business model and then some.

We're always on the lookout for similar opportunities. And I think the variable dividend oil and gas producers we highlighted earlier this month in EIA have a lot of the same appeal as yieldcos. But as I said, we still like the yieldcos as well--and will particularly if current market selling extends to push them lower.

Thank you for your kind words about our work. Have a great holiday season and don't forget we'll have another live chat next month as well for our CT investment community.

**Don R**

6:44

Hi- Very happy long time CUI customer and just signed up for the Reit sheet a couple weeks ago. I see many of the reits are higher than buy up to points. I am looking for growing dividends out of the group and have some fresh money. Thoughts on GLPI, SLG, WPC with the recent drops or if I had to spread money around 3-5 of them now which would be best. Thank you.



Roger Conrad

6:44

Hi Don. Thanks for your interest in the REIT Sheet. I have another full issue going out in December, which will include full analysis of recent results and guidance. And given what's going on in the market now, we could well also have a much larger pool of buy-rated REITs to choose from. My approach relies heavily on assessing business quality and value and setting designated entry and exit points based on current stock prices' relation to that value. That means I always find a lot more to like in weaker markets (such as we had in 2020) than stronger ones, such as we've had up until recently.

GLPI (Gaming and Leisure Properties) and SLG (SL Green) are rightly considered exposed to a new round of coronavirus lockdowns, with WP Carey to a lesser extent. That's in my view is in large part why they've been weaker lately and have come down below my highest recommended entry points. I think they will sell off more if the overall market selling continues, so I don't think incremental investment is probably better than one big go. But all of these are now selling below



prices where I think they can deliver big gains the next 12 to 18 months, in addition to safe yields. And that's pretty much my bottom line for investing in them.

Ok. Well that's all we have for this month's webchat. Thanks to everyone who participated today, as well as those of you who weren't able to and are reading this transcript now.

If for some reason your question was not answered or you'd like more clarification about something, please don't hesitate to query us at [service@capitalisttimes.com](mailto:service@capitalisttimes.com). We very much appreciate your business.

**James**

7:01

I currently have your Creating Wealth newsletter and have subscribed to your other newsletters in the past. In one of the newsletters, I don't remember which one, there was a complete history of closed trades with dates of buy/sell and profit/loses. May I suggest that you start doing this again for your newsletters so that it is easier to track the closed positions in case we miss one of the alerts or stop losses. Thanks.



Roger Conrad

7:01

Thanks for the suggestion, James. At this time, we don't list closed positions in the pdf version of advisories. We do have them in the online version of Conrad's Utility Investor portfolios. I can't promise you we'll begin publishing a complete list elsewhere. But I can say we will try to do more to make sure everyone knows when there are portfolio changes, should you miss the first notification. Thanks again for participating today.

And so ends this chat. Have a great holiday season everyone. Elliott and I look forward to chatting with you again next month!