

MLP Market Update (March 15, 2018)

We wanted to reach out to you in regards to some news in the Master Limited Partnerships (MLP) space that has sparked volatility in many of the names today.

MLPs came under heavy selling pressure late this morning as the market reacted to a ruling by the Federal Regulatory Energy Commission (FERC). The FERC ruled today that it will no longer allow certain types of pipelines to recover an income tax allowance that they had been allowed to take advantage of since a 2005 ruling by the FERC. The implication for MLPs is that pipeline operators would potentially have to reduce the rates they charge customers to ship oil, gas and refined products around the country by the amount of their allowances. This, in turn, could impact future earnings and distributions.

Today, the market is shooting first and asking questions later. The Alerian MLP Index is off nearly 7% as of this afternoon. We are closely monitoring the situation and have been in touch with our MLP investment managers.

As a reminder, the MLP sector retains a large retail ownership base which can lead to volatility as we've seen around tax selling in the recent past. According to many analysts, it appears the hair trigger reaction appears to be overblown, but we will continue to do more research into the situation.