The Most Valuable Asset May Be The One You Already Have

There's an old adage in infrastructure: the best project is often the one that's already been built. Simplistic, yes, though increasingly relevant for Midstream and natural gas pipelines in particular. For years, investors have focused on the familiar framework: EBITDA multiples, distributable cash flow, dividend safety, leverage, and growth. As fundamental analysts, we agree that these remain the right valuation factors. They still matter. Though there is something else to consider.

What's an asset worth when demand growth is likely to push utilization higher, and rebuilding it would certainly be more difficult, expensive, and constrained than it was when the original system was built? A recent Citi research report approached the question in replacement-cost terms and estimated that the U.S. interstate natural gas pipeline network would cost more than $1 trillion to rebuild today. The estimate covers roughly 200,000 miles of interstate natural gas pipelines and excludes storage, gathering, distribution, and intrastate systems. That distinction matters because $1 trillion is not much smaller than the cumulative enterprise value of the thirty-one companies that comprise the Alerian Midstream Energy Index (roughly $1.68 trillion), despite the fact that these companies own plenty of assets outside of interstate natural gas pipelines.

Please know we're not arguing that investors should take that estimate and simply turn it into a valuation target. Pipelines are not valuable because they were expensive to build or would be expensive to replace. They're valuable because of the cash flow they sustainably generate, the growth they can support, and the strategic role they play in the energy supply chain. We think Citi's replacement cost analysis makes one point clear: many of these assets are difficult, and in some cases impossible, to replicate on comparable terms. That's the definition of "scarcity premium".

Replacement Cost Is Not Valuation, Though It's Certainly Interesting!

We acknowledge that replacement-cost analysis is a blunt instrument. It doesn't replace traditional valuation metrics, or contract examination, utilization, cost-of-service work, or balance sheet analysis. However, we believe it can provide useful context, particularly in a market where the physical scarcity of the asset base may not be fully reflected in near-term earnings multiples.

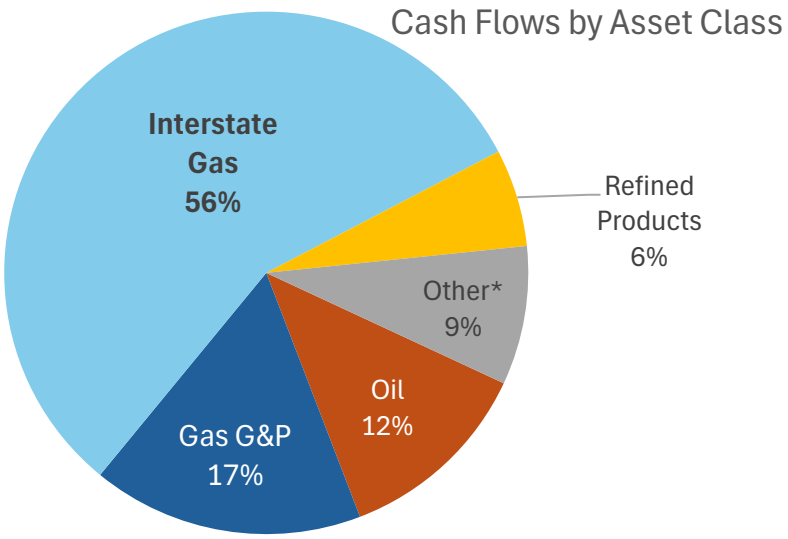
In that same research report, Citi estimated that DT Midstream (DTM), Enbridge (ENB), Energy Transfer (ET), Kinder Morgan (KMI), TC Energy (TRP), and Williams (WMB) account for roughly $670 billion of pipeline replacement value, equal to more than 90% of their combined enterprise value. While the authors don't imply these stocks should automatically trade higher, they do suggest public markets may be assigning limited value to the scarcity of the physical network.

	Enterprise Value (EV)	Replacement Cost (RC)	RC as % of EV
Kinder Morgan (KMI)	104,306	214,621	206%
Williams (WMB)	119,701	97,489	81%
Enbridge (ENB)	208,214	90,099	43%
TC Energy (TRP)	124,394	136,786	110%
Energy Transfer (ET)	163,693	119,629	73%
DT Midstream (DTM)	17,882	11,662	65%
Total	738,189	670,286	91%

** millions of USD*

Source: Citi

Keep in mind these companies operate more assets than interstate natural gas pipelines. In fact, we estimate roughly 56% of these companies' cash flows are sourced from this asset class. The rest comes from a mix of liquids (oil and refined products), pipeline and storage assets, upstream natural gas (e.g., gathering and processing, fractionation), or downstream natural gas (e.g., local distribution). Therefore, we're left to believe one of two things: (1) these other assets are fairly valued and worth only about 10% of total enterprise value, or the more likely and rational conclusion that (2) the "scarcity premium" is not fully reflected in valuation.



for DTM, ENB, ET, KMI, TRP, WMB

** - includes local distribution companies (i.e. Gas Utilities) and power generation*

Source: company data

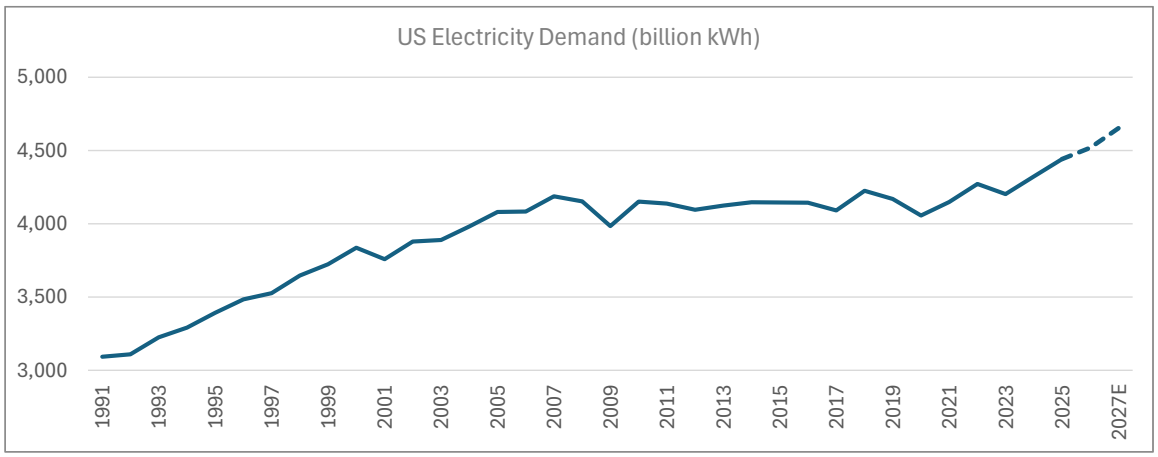
To reiterate, though, we understand the value of a pipeline is not just the pipe. It is the route, right-of-way, compressor or pump stations, interconnects, storage access, regulatory status, and ability to connect supply basins with demand centers. It is also the embedded option value of an asset that already sits in the right corridor. A pipeline that connects supply with growing demand may become more valuable over time, even if that value is not fully visible in current-period EBITDA. This is where replacement value suggests the market may be too conservative. A pipeline can screen as average on near-term EBITDA multiples because today's volumes do not fully reflect tomorrow's demand. It may be underutilized, earning a legacy-regulated return, or sitting on expansion potential that is not obvious in current earnings. When demand tightens, those characteristics can change quickly.

The Demand Story Is Becoming The Utilization Story

The reason this matters now is that demand is no longer stagnant. The globalization of natural gas via liquefied natural gas (LNG) exports has been well communicated, particularly after the buildout of Gulf Coast export capacity, which began with Cheniere's Sabine Pass project in 2016. Over the last ten years, U.S. LNG exports have increased from roughly 0.5 bcf/day (in 2016) to 15 bcf/day (in 2025) and are expected to exceed 18 bcf/day by 2027, according to the Energy Information Administration (EIA). This growth has changed the role of domestic natural gas infrastructure. More domestic gas now needs to move from supply basins to coastal liquefaction facilities, particularly along the Gulf Coast, creating a long-term demand pull on long-haul, interstate pipelines tied to major producing regions.

Much less appreciated is the rising demand from electricity. Natural gas has gradually replaced coal-fired generation and today supplies roughly 40% of U.S. power generation. However, for much of the last two decades, U.S. electricity demand was relatively flat. Load growth was sluggish as efficiency gains offset population and economic growth, and investors had little reason to underwrite a sustained new power-demand cycle.

That is changing. The reshoring of manufacturing, industrial electrification, and broader electrification of the economy have contributed significantly to rising electricity demand. Interestingly, data centers tied to artificial intelligence rank among the lowest absolute contributors to electricity demand growth at the moment, even though they generate the most headlines today. While these demand drivers will not develop at the same pace and not every forecast will prove accurate, the direction of travel is increasingly clear. The U.S. needs more electricity.



Source: Energy Information Administration (EIA)

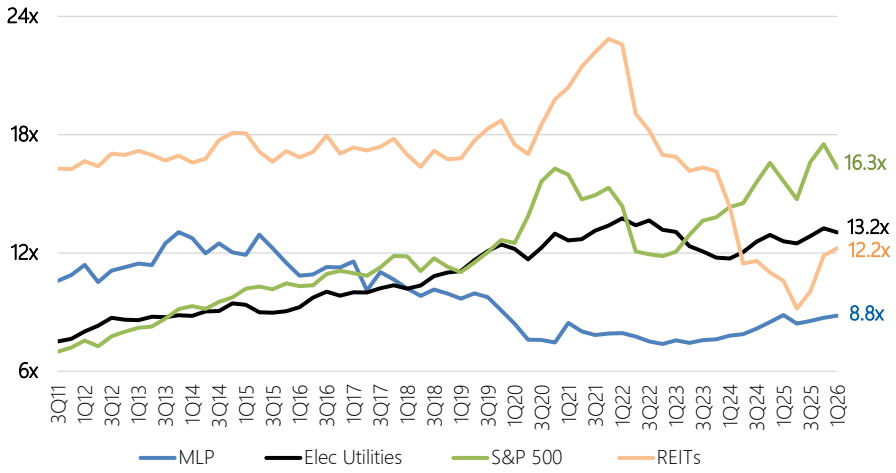
More electricity likely means a greater pull on natural gas supplies. For Midstream, existing pipelines should be among the first to benefit from utilization growth. A pipeline with spare capacity may receive little credit today, though its capacity becomes significantly more valuable if electricity demand rises in the markets it serves. Higher utilization can support stronger re-contracting, more firm transportation demand, and potentially new laterals and brownfield expansions.

This is the bridge between replacement cost and valuation. Replacement cost by itself is static. Utilization is what can turn embedded asset value into higher cash flows. If demand rises and the existing system is the most practical way to serve that demand, the value of the installed network becomes more visible. And if spare pipeline capacity dwindles, then the market will insist on new energy infrastructure that may take years to construct.

The Hardest Pipeline To Build Is Typically The Next One

The U.S. natural gas pipeline system was built over decades. It connects supply basins, power plants, utilities, industrial customers, storage fields, LNG facilities, and regional markets. It is difficult to duplicate, and in many cases, it may be functionally impossible to replicate on the same terms. As energy demand rises, new energy infrastructure will need to be built. Though the bar is higher. Regulation is tougher, opposition is stronger, litigation is more common, timelines are longer, costs are higher, and capital is more disciplined.

This is the conundrum the world is facing. No one doubts the world's supply of energy, whether it be oil, natural gas, wind, solar, hydro, etc. What they doubt is our ability to deliver that energy to where it's needed. That is the value of energy infrastructure, the "scarcity premium" that we believe is not embedded in current valuation. That is the opportunity investors have today, and why Midstream remains the best-kept secret in the market.



Source: Bloomberg

Outlook & Positioning

We continue to focus on the research and portfolio execution effort and are in constant dialogue with industry experts and management teams. We continue to believe oil and natural gas will play a major and increasing role in the global economy, particularly as new and emerging technologies raise demand for traditional energy. Combined with the sector's healthy balance sheets, solid dividend coverage, and heightened discipline, we see a compelling total return proposition for long-term oriented investors.

Economic conditions are highly uncertain and there is no guarantee that these opinions or forecasts will come to pass.

Important Risk Disclosures:

Investors should carefully consider the investment objectives, risks, charges and expenses of the Eagle Energy Infrastructure Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 1-888-868-9501 or visiting www.eaglemlpfund.com. The prospectus should be read carefully before investing. The Eagle Energy Infrastructure Fund is distributed by Northern Lights Distributors, LLC member FINRA/SIPC. Eagle Global Advisors, Princeton Fund Advisors, LLC and Northern Lights Distributors, LLC are not affiliated.

This is an actively managed dynamic portfolio. There is no guarantee that any investment (or this investment) will achieve its objectives, goals, generate positive returns, or avoid losses. The information provided should not be considered tax advice. Please consult your tax advisor for further information. Past performance does not guarantee future results.

A master limited partnership (MLP) is a limited partnership that is publicly traded on a securities exchange. It combines the tax benefits of a limited partnership with the liquidity of publicly traded securities. To qualify for MLP status, a partnership must generate at least 90 percent of its income from what the Internal Revenue Service (IRS) deems "qualifying" sources, generally relating to the production, processing or transportation of natural resources, such as oil and natural gas.

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships calculated by Standard & Poor's using a float-adjusted market capitalization methodology.

The Alerian Midstream Energy Index is a broad-based composite of North American energy infrastructure companies.

A C corporation or "C corp" is a legal corporate structure in which the owners or shareholders are taxed separately from the entity. C corporations are the most prevalent of corporations and they're also subject to corporate income taxation.

The S&P 500 Index is a capitalization-weighted index that measures the performance of 500 U.S. large-capitalization domestic stocks representing all major industries.

The Bloomberg Barclays Capital U.S. Aggregate Index provides a measure of the performance of the U.S. investment grades bonds market.

Enterprise Value-to-EBITDA is a multiple used to determine the value of a company. It shows the value of a company based on a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA).

Price-to-Distributable Cash Flow is a valuation ratio calculated by dividing a company's current stock price by its distributable cash flow per share.

Standard Deviation is a statistical measurement of volatility risk based on historical returns.

Risk Factors:

Credit Risk: There is a risk that note issuers will not make payments on securities held by the Fund, resulting in losses to the Fund. In addition, the credit quality of securities held by the Fund may be lowered if an issuer's financial condition changes.

Distribution Policy Risk: The Fund's distribution policy is not designed to guarantee distributions that equal a fixed percentage of the Fund's current net asset value per share. Shareholders receiving periodic payments from the Fund may be under the impression that they are receiving net profits. However, all or a portion of a distribution may consist of a return of capital (i.e. from your original investment). Shareholders should not assume that the source of a distribution from the Fund is net profit. Shareholders should note that return of capital will reduce the tax basis of their shares and potentially increase the taxable gain, if any, upon disposition of their shares.

ETN Risk: ETNs are subject to administrative and other expenses, which will be indirectly paid by the Fund. Each ETN is subject to specific risks, depending on the nature of the ETN. ETNs are subject to default risks. Foreign Investment Risk: Investing in notes of foreign issuers involves risks not typically associated with U.S. investments, including adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.

Interest Rate Risk: Typically, a rise in interest rates can cause a decline in the value of notes and MLPs owned by the Fund.

Liquidity Risk: Liquidity risk exists when particular investments of the Fund would be difficult to purchase or sell, possibly preventing the Fund from selling such illiquid securities at an advantageous time or price, or possibly requiring the Fund to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.

Management Risk: Eagle's judgments about the attractiveness, value and potential appreciation of particular asset classes and securities in which the Fund invests may prove to be incorrect and may not produce the desired results. Additionally, Princeton's judgments about the potential performance of the Fund's investment portfolio, within the Fund's investment policies and risk parameters, may prove incorrect and may not produce the desired results.

Market Risk: Overall securities market risks may affect the value of individual instruments in which the Fund invests. Factors such as domestic and foreign economic growth and market conditions, interest rate levels, and political events affect the securities markets.

MLP Risk: Investments in MLPs involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's limited call right. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. Depending on the state of interest rates in general, the use of MLPs could enhance or harm the overall performance of the Fund.

MLP Tax Risk: MLPs, typically, do not pay U.S. federal income tax at the partnership level. Instead, each partner is allocated a share of the partnership's income, gains, losses, deductions and expenses. A change in current tax law or in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP. Thus, if any of the MLPs owned by the Fund were treated as corporations for U.S. federal income tax purposes, it could result in a reduction of the value of your investment in the Fund and lower income, as compared to an MLP that is not taxed as a corporation.

Energy Related Risk: The Fund focuses its investments in the energy infrastructure sector, through MLP securities. Because of its focus in this sector, the performance of the Fund is tied closely to and affected by developments in the energy sector, such as the possibility that government regulation will negatively impact companies in this sector. Energy infrastructure entities are subject to the risks specific to the industry they serve including, but not limited to, the following: Fluctuations in commodity prices; Reduced volumes of natural gas or other energy commodities available for transporting, processing, storing or distributing; New construction risk and acquisition risk which can limit potential growth; A sustained reduced demand for crude oil, natural gas and refined petroleum products resulting from a recession or an increase in market price or higher taxes; Depletion of the natural gas reserves or other commodities if not replaced; Changes in the regulatory environment; Extreme weather; Rising interest rates which could result in a higher cost of capital and drive investors into other investment opportunities; and Threats of attack by terrorists.

Non-Diversification Risk: As a non-diversified fund, the Fund may invest more than 5% of its total assets in the securities of one or more issuers. Small and Medium Capitalization Company Risk: The value of a small or medium capitalization company securities may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. Structured Note Risk: MLP–related structured notes involve tracking risk, issuer default risk and may involve leverage risk. Mutual Funds involve risk including possible loss of principal.