

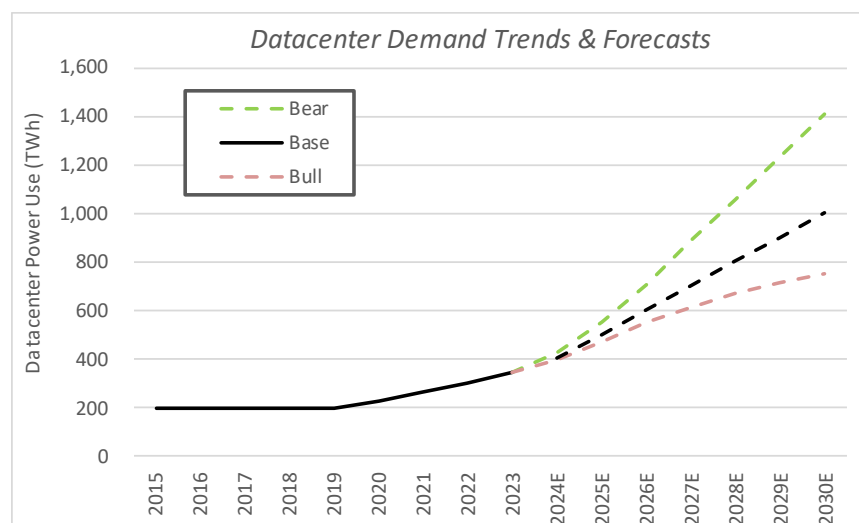
Midstream: Traditional Energy Among A.I.’s Biggest Beneficiaries

“This commentary was not written by artificial intelligence.” A disclaimer like this may be coming to help distinguish between those that create and those that command a computer to create. While we prefer original content, we’re not going to crusade against those that don’t. If there is something that does a job better and makes economic sense, humans will employ it. In this sense, artificial intelligence (A.I.) has the potential to be a generational paradigm shift. However, it’s also one that requires an equally large paradigm shift in the amount of energy consumed. Renewable energy by itself is unfit for this task. This is partly because renewable energy can’t scale quickly and in a large enough way to meet this new demand, though also because the datacenters that power A.I. require a 24/7 power supply to make them economic to build. The solution? Traditional energy.

Quantifying A.I.’s Upside

Few recent developments in energy have generated as much excitement as A.I.-driven datacenter demand. After more than a decade of negligible power growth in the United States, A.I. is setting the stage for a surge in electricity demand not seen in almost a quarter century. At its core, the demand is being driven by A.I.-geared processors which require significantly more power than traditional ones. For context, a ChatGPT search requires 2.9Wh of power, roughly 10 times that of a traditional Google search. This paradigm shift in energy consumption underscores the transformative impact of A.I. on modern infrastructure and power demand.

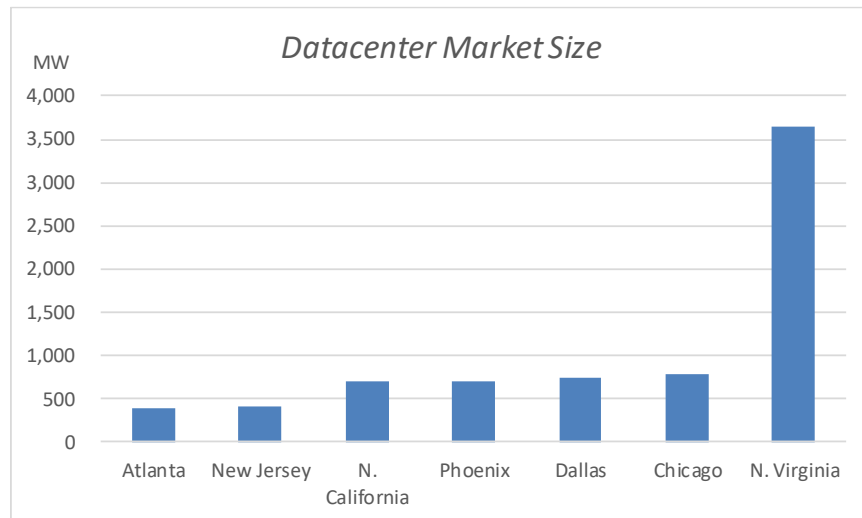
One of the most exciting aspects of this trend is that it’s happening today, not in the distant future. After several years of relatively flat power demand, datacenter energy consumption began to rise in 2020, doubling from 200 TWh in 2019 to 400 TWh in 2023. Despite this recent increase, datacenters still account for only 3% of total U.S. demand. However, based on growth plans outlined by tech giants and hyperscalers, Goldman Sachs research estimates that datacenter power consumption could triple by 2030, representing roughly 9% of all U.S. electricity demand.



Source: Masanet et. al (2020), Cisco, IEA, Goldman Sachs Global Investment Research

So, why does this matter for traditional energy infrastructure investors? While it is widely accepted that hyperscalers like Microsoft, Amazon, and Google are committed to achieving net-zero carbon footprints through renewable power, this goal remains more attainable in the long run. In the near-to-intermediate-term, meeting A.I. and datacenter growth targets will likely necessitate a significant reliance on fossil fuels, particularly natural gas, to provide the required incremental power. Estimates suggest that of the more than roughly 45 GW of additional power needed, over half will need to come from natural gas generation. Citi research estimates that approximately 25 GW of new gas plants will need to be constructed, translating to about 4 Bcf/d, or a 4% increase in current U.S. natural gas demand.

While the U.S. boasts abundant natural gas resources, harnessing these to meet growing electricity demand will require additional infrastructure development. There is a growing sense of urgency given the concurrent pressures of reshoring manufacturing and the rising export demand for liquefied natural gas (LNG), where the latter alone could add 15-20 Bcf/d of incremental demand by the end of the decade. Takeaway capacity is already constrained in lower-cost regions like the Permian Basin. In addition, regulatory challenges could complicate efforts to build new infrastructure since most of the datacenters being built are in high “red tape” areas. Addressing hurdles like this is crucial for leveraging natural gas to meet future datacenter energy demands.

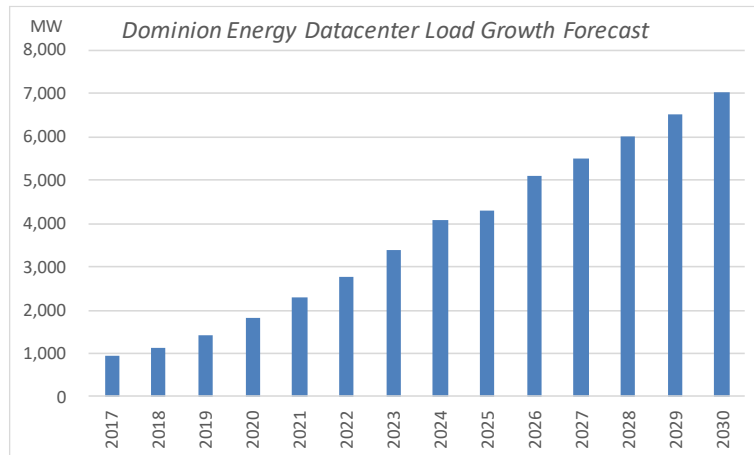


Source: JLL, Data compiled by Goldman Sachs Global Investment Research

Meanwhile, regulatory hurdles are not just limited to the “supply side” of the spectrum. Obtaining permits and approvals for building datacenters is complex and time-consuming, involving multiple governmental agencies and environmental impact assessments. At or near the top of the list of priorities when developing a new datacenter is the procurement of energy. If power is sourced from the grid, the local electric utility must ensure sufficient capacity and reliability, often requiring infrastructure upgrades.

Keep in mind the grid must also continue to deliver power reliably to its other customers (like you and me). This balancing of power is further complicated with mandates to increase the contribution of unreliable renewable energy. For example, in Northern Virginia, which hosts about half of all U.S. datacenters, Dominion Energy had to temporarily pause new connections due to transmission constraints. In the end, the grid operator worked with

Dominion Energy to expedite approval and construction of transmission lines, but such timely resolutions are not guaranteed. The demand for additional energy infrastructure is unlikely to abate anytime soon, as Dominion Energy's 15-year forecast for datacenter load growth indicates robust electricity demand. Therefore, strategic planning and investment in energy infrastructure are crucial to support the continued growth of datacenters. In the meantime, it pays to own assets that are already in the ground.



Source: JLL, Data compiled by Goldman Sachs Global Investment Research

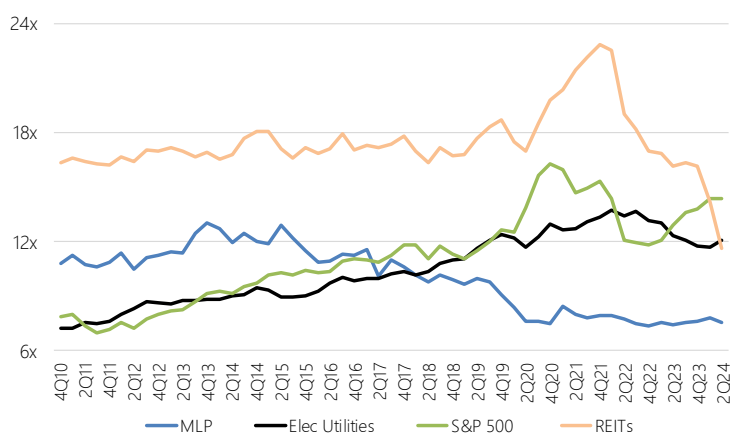
The Federal Energy Regulatory Commission (FERC) approved a major policy update to streamline the electricity market's interconnection process that should help speed up the development of interregional electric transmission infrastructure. We hope this policy update will also help traditional energy, either directly through some nifty footwork that would include traditional energy infrastructure or more likely indirectly as an upgraded and expanded electric grid will likely be powered by natural gas that is most efficiently delivered by Midstream companies.

The Forward Outlook Improves, Midstream Still A Bargain

Despite strong cash flows, buybacks, dividend raises, and disciplined capital spending, Midstream investors continue to wait for the elusive re-rate. In the second quarter, Midstream gained some traction as other energy subsectors and the broader market slipped. However, Midstream/MLPs still trade at an 18%/20% discount to their 10-year average multiples, at the same time the S&P 500 trades at a 17% *premium* to its own 10-year average. Midstream/MLPs also trade at a substantial EV/EBITDA discount to the S&P 500 and yield-oriented peers like Electric Utilities and REITs. This persistent undervaluation highlights a potential opportunity for investors willing to bet on the sector's long-term fundamentals and growth prospects.

EV-to-EBITDA Multiples		Current	5-Year Average	Premium (Discount)	10-Year Average	Premium (Discount)
Midstream	MLPs	8.5x	8.0x	6%	10.4x	(18%)
	Midstream C-Corps.	9.4x	9.7x	(2%)	11.7x	(20%)
Energy	Exploration & Production	4.6x	5.4x	(15%)	6.8x	(31%)
	Refiners	5.7x	6.3x	(10%)	5.9x	(3%)
	Integrated Oil & Gas	5.1x	5.4x	(6%)	5.4x	(6%)
	Oilfield Services	7.1x	8.7x	(18%)	9.0x	(21%)
Yield	Utilities	9.6x	10.5x	(9%)	10.0x	(4%)
	REITs	15.1x	17.9x	(16%)	17.1x	(12%)
Market	S&P 500	13.7x	12.9x	6%	11.7x	17%

Source: Wells Fargo



Source: Bloomberg

Meanwhile, Midstream continues to capitalize on opportunities created by these discounted valuations through consolidation. M&A activity in the second quarter saw Midstream companies focusing more on the private markets. Notable acquisition announcements included Kinetik (KNTK) buying Durango, ONEOK (OKE) purchasing NGL pipelines located on the Gulf Coast, and Energy Transfer (ET) acquiring WTG Midstream. The opportunity for the Midstream sector is simple, deploying excess free cash flow to purchase assets that are immediately accretive which they can then enhance by streamlining operations, thereby better positioning the company for the long-term. As we've said before, either Wall Street will recognize the scarcity value of energy infrastructure and stocks will re-rate higher, or stocks won't re-rate higher and sector consolidation will continue. We believe Midstream is long overdue for a re-rate.

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, and owing to healthier balance sheets, higher coverage, and heightened discipline are optimistic about the long-term viability of Midstream as a sector for investors who prioritize income.

Economic conditions remain 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 MLP Strategy 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 MLP Strategy 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.

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 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.