

**ENERGY AND INCOME: STILL YOUR
BEST BET FOR HIGH YIELD, SAFETY
AND GROWTH**

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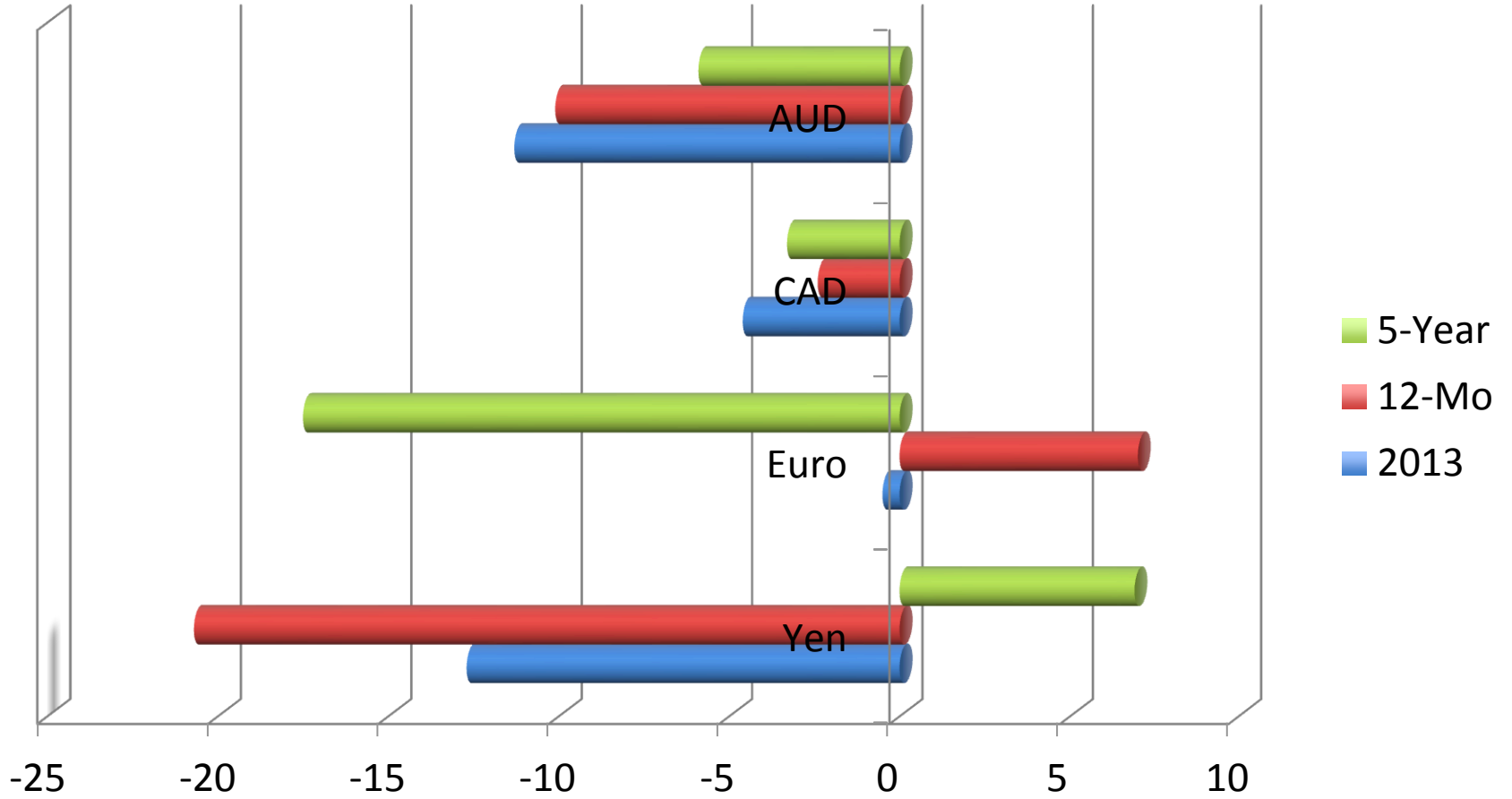
CAPITALIST TIMES

DC AREA AAI, JULY 2013

STOCKS CIRCA 2013

- BULL MARKET AGING = 4 YEARS PLUS
- SAME GLOBAL, US ECONOMY SINCE 2009
- BIG MONEY DOMINATES TRADING
- YIELD SEEKING TEMPERED BY DIVIDEND CUTS
- COMMODITIES WEAK ON ASIA FEARS
- DOLLAR STRONG BUT FED EASING CONTINUES
- ENERGY RALLIES STEALTHILY

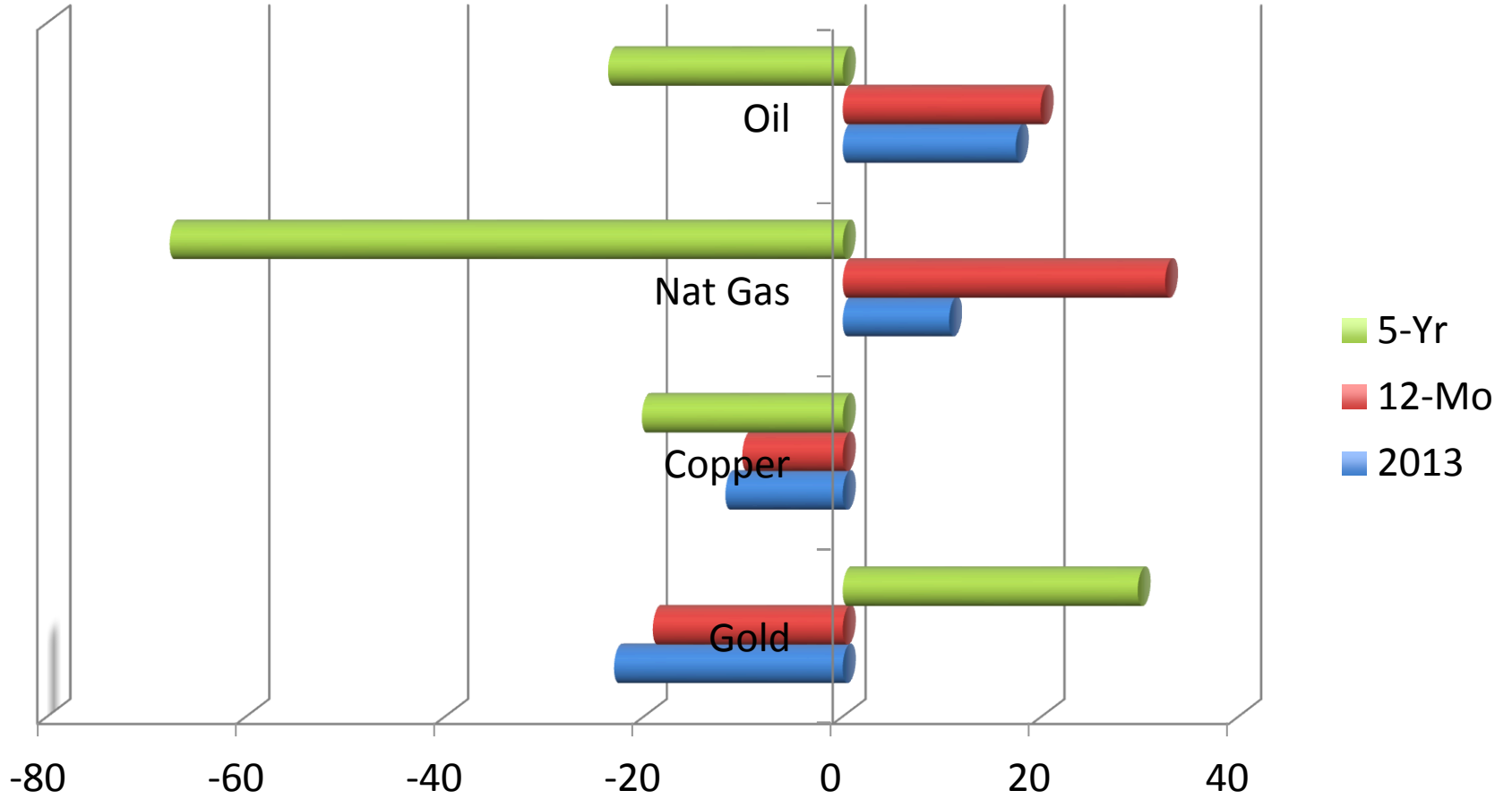
DAY OF THE DOLLAR



THE “RIGHT” STRATEGY

- HIGHER PRICES MEAN HIGHER EXPECTATIONS
- MOMENTUM TRUMPS VALUE IN NEAR TERM, NOT IN LONG TERM
- GROWING BUSINESSES BUILD WEALTH
- SELECTIVITY ON PRICE AND QUALITY MORE IMPORTANT THAN EVER
- USE MOMENTUM TO BUY LOW, SELL HIGH
- OWN HIGH INCOME ENERGY

ENERGY TOPS METALS



WHY ENERGY?

- GLOBAL INTENSITY STILL GROWING
- PRICE KEEPS PACE WITH INFLATION
- THE GREAT NORTH AMERICAN ENERGY BOOM
= MASSIVE OPPORTUNITIES
- RECURRING INCOME COMBINED WITH
RELIABLE HEDGING IS CONDUCIVE TO PAYING
BIG DIVIDENDS

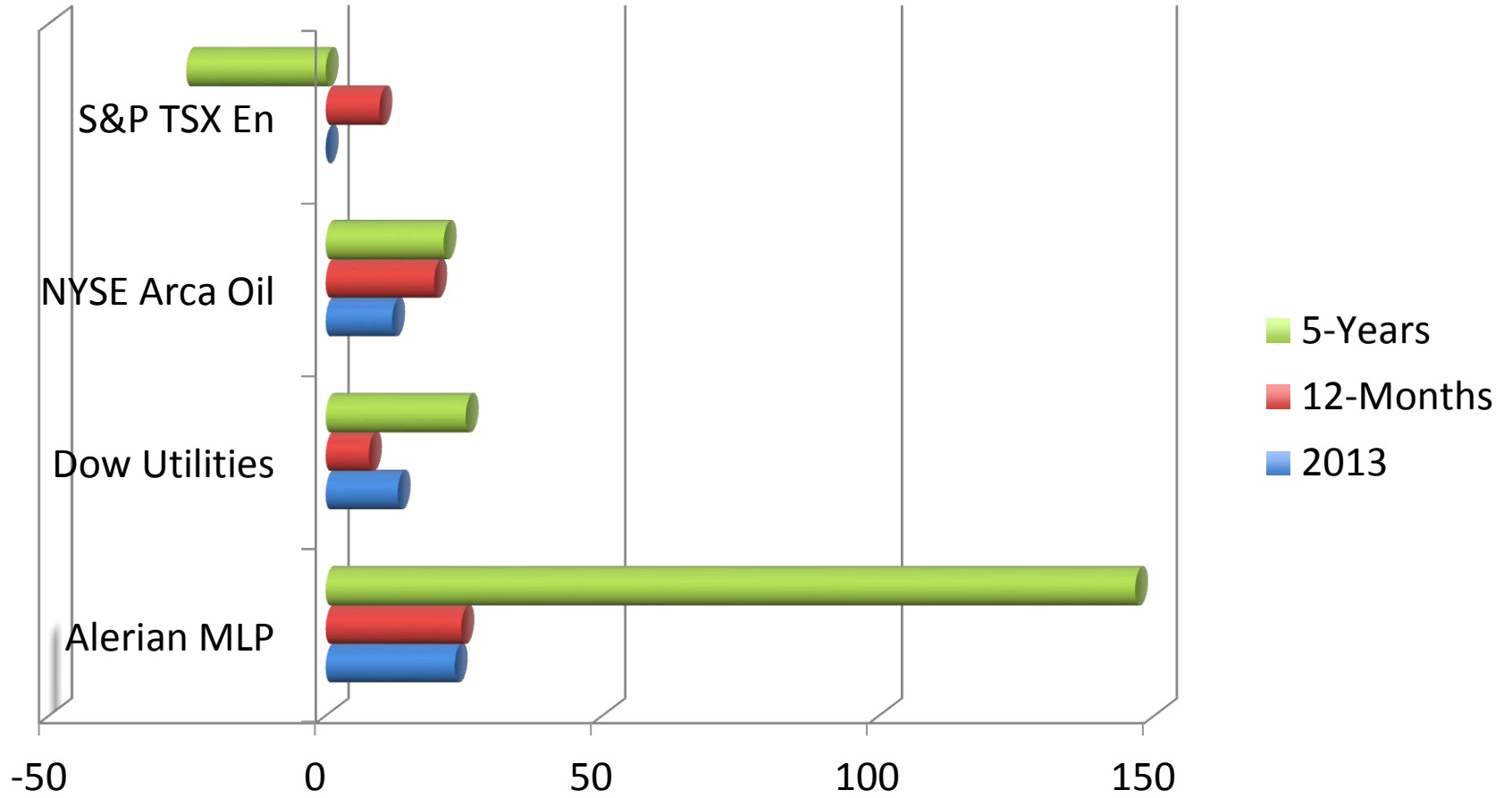
ENERGY INVESTING RULES

- GREATER DIRECT EXPOSURE TO ENERGY PRICES MEANS MORE RISK TO DIVIDENDS
- SWEET YIELDS CAN BRING SOUR CONSEQUENCES
- DON'T OVER-FOCUS, SPREAD THE WEALTH
- WATCH COMPANIES, NOT THEORIES
- DON'T BE AFRAID TO SELL THE BLIPS AND BUY THE DIPS

WHERE ENERGY VALUES LIVE

- SELECTED MASTER LIMITED PARTNERSHIPS
- MISUNDERSTOOD UTILITIES
- CANADA ON THE CHEAP
- AUSTRALIA RESETS FOR VALUE
- EUROPEAN SUPER OILS
- US ROYALTY TRUSTS: OWN A WELL

MLPS LEAD



MLP PROS AND CONS

- TAPPED INTO GREAT NORTH AMERICAN ENERGY BOOM
- RISING DISTRIBUTIONS PUSH CAPITAL GAINS
- MANY FAVORITES PRICEY = LOW YIELDS
- TAXATION IN THE BACKGROUND
- FOCUS ON QUALITY AND PRICE ARE KEY
- SOME MLPS MERIT TAKING PROFITS

MLP PICKS AND PANS

- MIDSTREAM BUYS: EEP, KMP
- PRODUCER PICKS: VNR, LGCY
- SPECIAL SITUATIONS: CLMT
- PRICEY: GEL, MMP
- DIVIDENDS AT RISK: NS, NMM
- WHAT ABOUT LINN ENERGY?

UTILITY VALUES

- 10-YEAR PLUS TREND OF GETTING STRONGER
- CAPITAL SPENDING + REGULATORY SUPPORT = RISING DIVIDENDS, CAPITAL GAINS
- SECTOR AVERAGES MASK VALUE AND OVERVALUE
- REGULATED VS UNREGULATED REVENUE
- VALUE: RENEWABLE ENERGY, T&D, NUCLEAR POWER

UTILITY PICKS AND PANS

- REGULATED STARS: SO, D
- PLAYING THE POWER MARKET: NRG
- RENEWABLES: DUK, NJR
- NUCLEAR POWER: EXC
- SPECIAL SITUATIONS: ETR
- HIGH PRICED: ANY UTILITY WITH YIELD PLUS GROWTH LESS THAN 8%--ATO

CANADA CHEAPER

- STOCKS LOWER ON CANADIAN DOLLAR, COMMODITY/GROWTH WORRIES
- CONSERVATIVE IS STILL COOL
- LONG-TERM RESOURCE DEVELOPMENT WITH FRIENDLY REGULATION
- US ENERGY BOOM = EXPORT BOTTLENECKS
- SOME FORMER TRUSTS RE-EVALUATE DIVIDENDS

BUYING CANADA

- SPLIT COVERAGE: EIA = ENERGY, CT = THE REST
- SOME QUALITY CRITERIA: PAYOUT RATIO, DEBT, REVENUE STABILITY, DIVIDEND GROWTH
- CAPITAL ACCESS INCREASINGLY KEY
- RENEWABLE ENERGY: BEP, INGXF
- ENERGY PRODUCERS: CSCTF, VET, PGH
- ENERGY MIDSTREAM: PBA, TRP
- WHAT ABOUT AT AND JE?

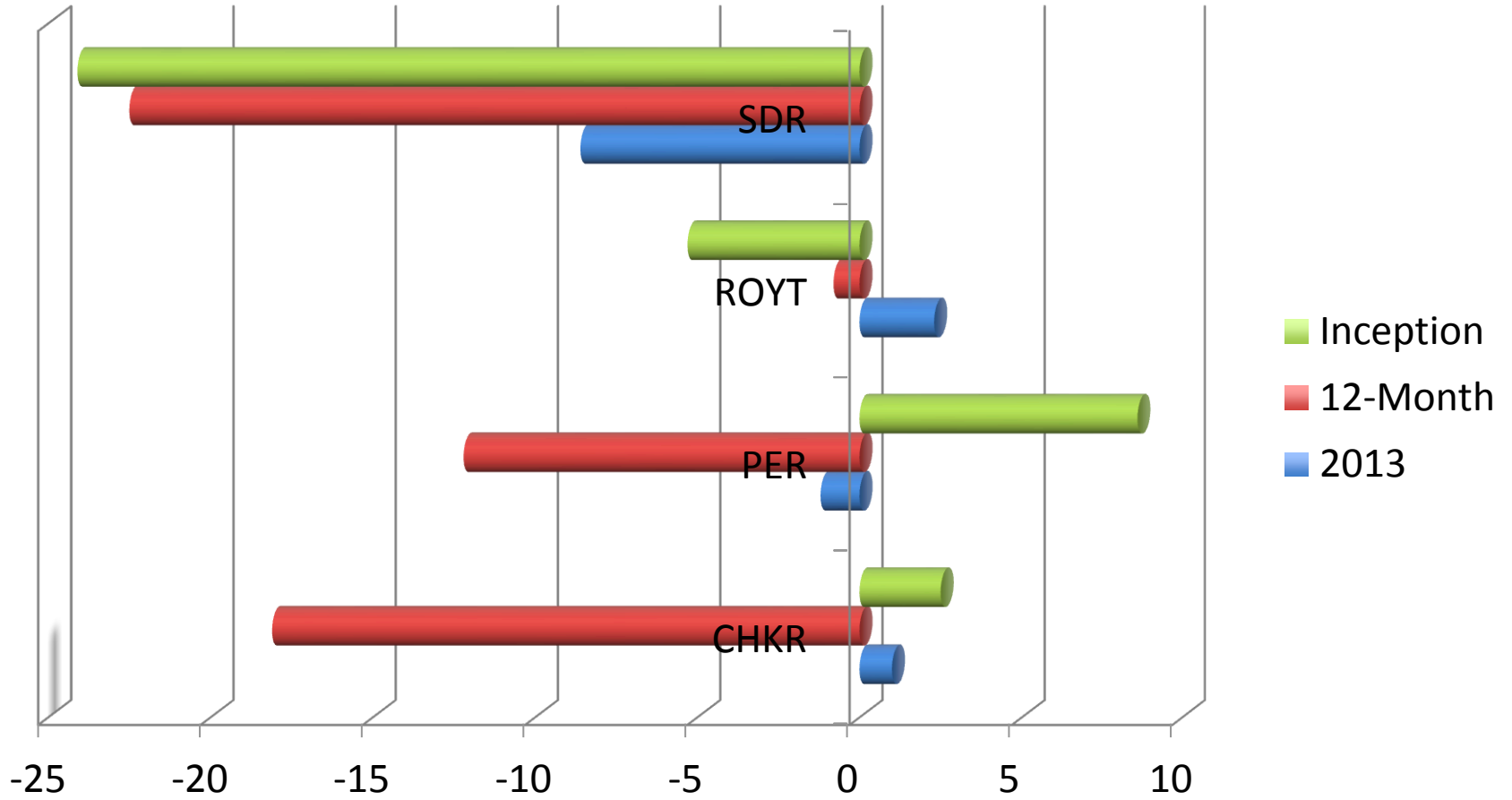
AUSTRALIA'S VALUE RESET

- ASIA WORRIES = BIG DROP IN A\$
- LOWER A\$ = LOWER STOCK PRICES BUT RELIEF FOR BIG RESOURCE COMPANIES' HIGH COSTS
- LONG RUN FUNDAMENTALS INTACT = ASIAN DEMAND + RESOURCE WEALTH
- NEW PM'S REGULATORY OPENING
- UTILITY-LIKE INCOME: APAJF, AGLNY
- LNG BOOM: OISHY

EUROPE'S SUPER OILS

- EURO AN OVERVALUED CURRENCY
- AUSTERITY'S DAYS NUMBERED
- SUPER OILS TRANSCEND THE TROUBLES
- BIG DISCOUNTS TO US SUPERS
- BEST BUYS: E, TOT
- FILE A 1116

INAUSPICIOUS BEGINNINGS



IT'S ALL IN THE WELLS

- TRUSTS ISSUED TO FINANCE WELLS
- ROYALTY TRUSTS PAY ON PRODUCTION + PRICE, BOTH CAN VARY
- OVER-HYPED AT IPOS, CRASHED ON EXAGGERATED RISKS
- HUGE YIELDS VARIABLE BUT MARGIN FOR ERROR IS GREAT
- MORE OILY: PER, ROYT

SUMMER BUYS

- MLPS: EEP (32, 6.7%), KMP (88, 6.0%), LGCY (32, 8.5%), VNR (30, 9.0%)
- UTES: D(55,3.8%),DUK(65,4.4%),ETR (75, 4.7%), EXC(35,4%),NRG(28,1.7%),SO(45, 4.5%)
- CAN: BEP(32,5.2%),CSCTF(48,7.3%),INGXF (10, 6.6%),PBA(33,4.9%),PGH(6,8.1%),VET, TRP
- AUST:AGLNY(15,4.6%),APAJF(6,6.2%),OISHY(8)
- EURO SUPERS: E(50,6.5%),TOT(55,6%)

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