MIZUHO Mizuho Securities USA Inc.

Energy Research
MLPs & Natural Gas
Initiating Coverage

U.S. Equity Research **September 29, 2016**

Attractive Yield Plus Some Growth and Gradually Improving Fundamentals

Initiating on Energy Master Limited Partnerships

Summary

We expect investor sentiment will continue to gradually improve with energy fundamentals. While macro risks may produce a sideways market near term, in the medium- to long-term commodity prices should grind higher supporting volume, capital market access and cash flow growth. In a low interest rate environment, the MLP sector offers an attractive 7% yield plus 4-5% distribution growth. Our Buy-rated stocks provide an average 6% yield plus 12.5% potential growth with exposure to demand pull/export infrastructure, growth at a reasonable price and potential multiple expansion.

Key Points

MLP model not broken, but needs a tune-up. Some companies are in good shape, while others require higher distribution coverage and a general partner distribution reset. Looking ahead, we see three key themes:

- **Demand-pull infrastructure takes center stage**. The midstream energy value chain will benefit from demand growth from U.S. petrochemicals (ethane), power generation and industrials (natural gas), refiners (oil, refined products) and exports (all of the above). The U.S. continues its shift to an energy exporter from an importer. Low-cost production provides supply-push growth opportunities in the Delaware, SCOOP/STACK and Marcellus/Utica.
- **Tougher regulatory environment**. Energy infrastructure opposition is here to stay. The Dakota Access crude pipeline project regulatory hiccup is just the latest example. Going forward, some infrastructure projects will likely take longer to build or be at risk of not getting approved.
- **More midstream M&A**. Combining a challenging permitting backdrop increasing the value of pipes in the ground, fewer organic opportunities following the infrastructure build-out of the past five years, and the need to increase growth backlog, midstream M&A activity is poised to rise. Gas infrastructure is in favor, as illustrated by recent acquisitions.

Risks to our estimates. The top three are lower oil prices, a higher cost of capital and stricter regulations negatively impacting base cash flow, growth, valuation. Others include lower energy demand, counterparty risk and overcapacity.

Company	Symbol	Price (9/28)	Rating Prior	Rating Curr	PT
Buckeye Partners, L.P.	BPL	$71.37	–	Neutral	$76.00
Dominion Midstream Partners, LP	DM	$23.98	–	Buy	$30.00
Enbridge Energy Partners, L.P.	EEP	$25.32	–	Buy	$29.00
Energy Transfer Equity, L.P.	ETE	$16.70	–	Buy	$20.00
Energy Transfer Partners	ETP	$38.02	–	Buy	$45.00
Enterprise Products Partners, L.P.	EPD	$27.50	–	Buy	$32.00
Magellan Midstream Partners, L.P.	MMP	$71.12	–	Neutral	$73.00
MPLX, L.P.	MPLX	$33.06	–	Neutral	$35.00
NuStar Energy, L.P.	NS	$48.92	–	Neutral	$50.00
NuStar GP Holdings, LLC	NSH	$26.17	–	Neutral	$26.00
Phillips 66 Partners L.P.	PSXP	$48.17	–	Buy	$55.00
Shell Midstream Partners LP	SHLX	$31.74	–	Buy	$37.00
Sunoco Logistic Partners L.P.	SXL	$28.04	–	Neutral	$30.00
Sunoco LP	SUN	$29.69	–	Neutral	$31.00
Tesoro Logistics LP	TLLP	$48.71	–	Buy	$58.00
Valero Energy Partners LP	VLP	$44.59	–	Buy	$57.00

Source: Bloomberg and Mizuho Securities USA

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Midstream Sector Themes

Demand-Pull Infrastructure Takes Center Stage

After years of supply-push (producer driven) energy projects, demand-pull (end user driven) growth is poised to accelerate. We expect supply-push energy infrastructure will still play a meaningful role but not as much as the last 5 years. It is worth noting that demand-pull customers - utilities, local distribution companies, petrochemicals and refiners - tend to have higher credit quality than E&P (exploration and production) customers.

Natural Gas Liquids (NGLs)

The two demand-pull growth drivers for NGLs (by-products of oil and natural gas production) are U.S. petrochemical plants and exports. Eight new Gulf Coast steam crackers (which produce ethylene, a building block for plastics), are expected to increase US petchem ethane demand by 38-48% (or 400-500 mb/d) to 1.45-1.55 mmb/d by 2020. By 2022, petchem ethane demand is expected to rise 500-600 mb/d (from 2016) to 1.55-1.65 mmb/d due to Shell's PA cracker coming online. While petchem ethane demand will vary depending on construction completion and operating rates, directionally petchems will be a significant demand-pull growth driver for NGL infrastructure cash flows. The ethane uplift will benefit MLPs with NGL infrastructure, especially those with integrated assets, as both fee-based (gas processing, NGL pipelines, fractionation, storage) and margin-based cash flows (gas processing, marketing) should benefit.

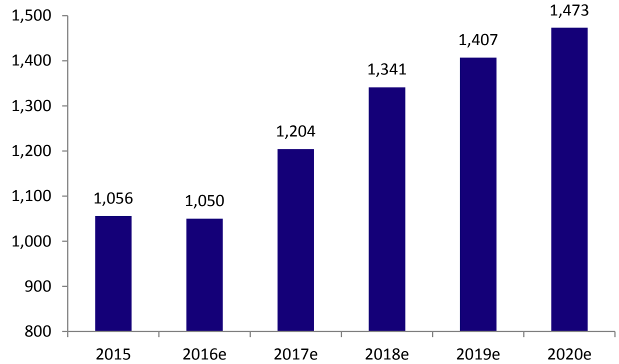
In our coverage universe, companies with meaningful NGL exposure are EPD, ETP, ETE, MPLX, PSXP, SXL and TLLP.

Figure 1: New U.S. Steam Crackers

Company	Ethane consumption (mb/d)	Capacity (mm metric tons)	Location	In Service
Chevron Phillips	**90**	1.5	Cedar Bayou, TX	2017
Dow	**90**	1.5	Freeport, TX	2017
ExxonMobil	**90**	1.5	Baytown, TX	2017
Occidental/Mexichem	**33**	0.6	Ingleside, TX	2017
Sasol	**90**	1.5	Lake Charles, LA	2018
Shintech	**32**	0.5	Plaquemine, LA	2018
Formosa Plastics	**70**	1.2	Point Comfort, TX	2019
Axiall/Lotte	**70**	1.2	Lake Charles, LA	2019
Shell	**105**	1.5	Monaca, PA	2022
Total	**670**	11.0		

Source: Enterprise Products Partners, American Chemistry Council

Figure 2: Drive Rising U.S. Petrochemical Demand for Ethane (mb/d)



Source: Bentek Energy

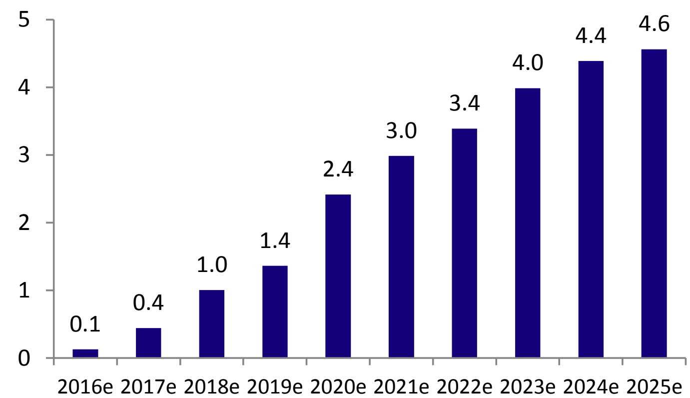
NGL exports are expected to continue playing a key role in balancing the US market. Rising petchem demand alone is not sufficient to balance the ethane market. According to Bentek Energy, ethane exports are anticipated to triple to approximately 300 mb/d by 2020, with ramp up in East Coast (SXL's Marcus Hook) and Gulf Coast (EPD's Morgan's Point) terminals. Exports will likely comprise approximately 15% of US ethane demand in 2020 up from 5% in 2016. Given propane exports already comprise about 40% US demand, we do not expect propane exports to remain near the high level of 600 mb/d, with variations due to US-Europe and Asian arb prices. Butane exports are anticipated to rise approximately 140 mb/d or 25% of US demand by 2020, according to Bentek.

Natural Gas

Three growth drivers for gas are demand from power generation, industrial and exports. Power generation demand growth is driven by regulatory (reduced CO2 emissions) and low gas prices. While renewables pose some competition for gas in electricity generation fuel mix, gas-fired power generation is expected to grow 26% by 2030, according to the EIA. Industrial demand is expected to grow 20% by 2025. The US is forecast to become a net exporter of gas in 2018, exporting 2.85 Bcf/d according to the EIA. The drivers are growing LNG exports, pipe exports to Mexico and declining pipe imports from Canada.

In our coverage universe, companies with meaningful gas exposure are DM, EPD, ETP and ETE.

Figure 3: Rising U.S. LNG Net Exports (Bcf/d)



Source: EIA

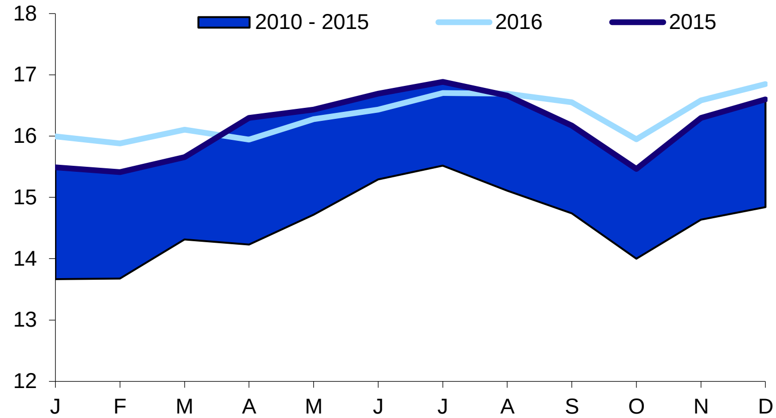
Crude Oil and Refined Products

US refinery demand has actually risen in 2016 despite lower refining margins (YTD down 38%). Refinery runs of 16.6 mm b/d (EIA data week ending 9/16) were 1.2 mm b/d or 8% higher than average of 15.4 mm b/d since 2010. Growth is attributable to higher gasoline demand both domestically and exports and less refinery downtime.

Surprisingly, US crude exports have risen despite lower domestic production and narrower price differentials. US crude exports have grown 115% to 588 mb/d since the crude price peak in June 2014. Importantly, the US is serving more markets besides Canada since the export ban repeal in late 2015. In 2016, the top US crude exports markets besides Canada are Curacao, Netherlands and Japan.

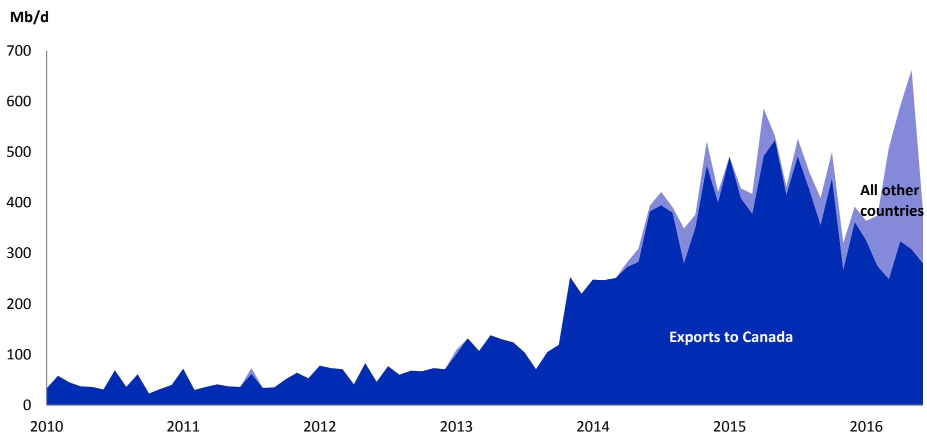
In our coverage universe, names with meaningful crude/products exposure are BPL, EEP, EPD, ETE, ETP, MMP, MPLX, NS, NSH, PSXP, SHLX, SXL, SUN, TLLP and VLP.

Figure 4: Strong U.S. Refinery Crude Runs (MMb/d)



Source: Wood Mackenzie

Figure 5: Rising U.S. Crude Oil Exports (Mb/d)

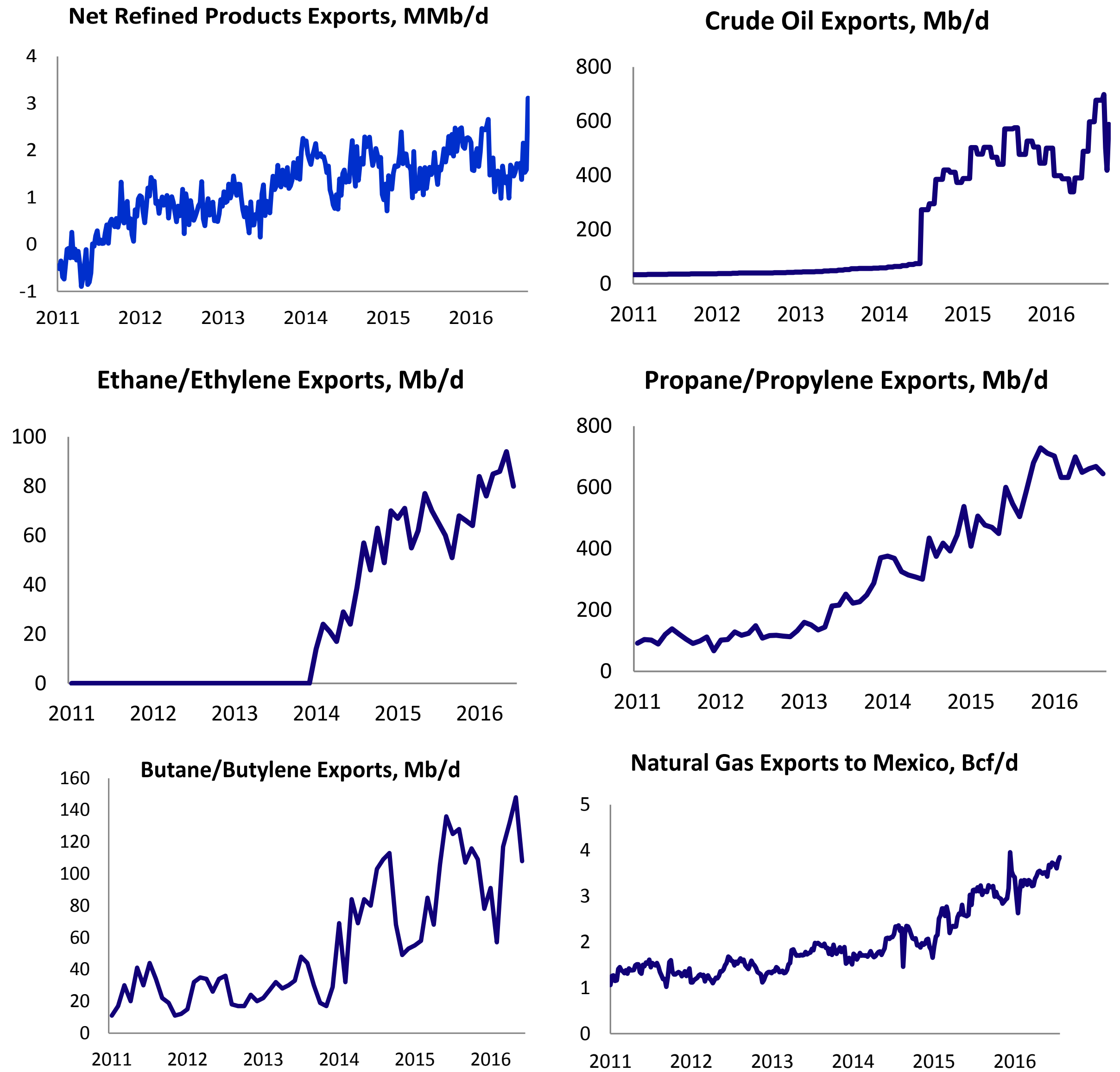


Source: EIA

US domestic refined product (includes gasoline, diesel, jet fuel, heating oil) demand has posted 1.1% annual demand growth since 2013. Demand is anticipated to grow 0.7% to 19.7 mm b/d in 2017, according to the EIA. Over the long term though, domestic demand is expected to post a slight decline due to rising vehicle fuel efficiency.

The US is already a net exporter of refined products (crossed threshold in 2011). YTD, net exports have risen 14% YoY to 1.8 mm b/d, illustrating the cost competitiveness of the US refining complex. Over the long run modest export growth will be needed to offset the anticipated slight decline in domestic demand.

Figure 6: U.S. Exports Span the Value Chain – Oil, Refined Products, NGLs, Natural Gas



Source: Bloomberg

Tougher Regulatory Environment

Energy infrastructure opposition is here to stay. Pipeline projects, in some instances, will likely take longer to build and potentially have higher risk of cancellation due to permitting issues. The last minute permitting delay of Dakota Access crude pipeline marks the latest example of a more challenging regulatory backdrop for infrastructure development in some regions. Besides the well-publicized Keystone crude pipeline debacle, other infrastructure projects faced/facing permitting issues include Sandpiper, Energy East, TransMountain, Northern Gateway crude pipes, Port of Vancouver rail terminal, Constitution, Northeast Energy Direct gas pipes, Palmetto refined products pipe. We believe the permitting challenges increase value of assets in the ground and will act as a catalyst for increased midstream M&A activity.

More Midstream M&A

Combining large infrastructure build-out of past 5 years, a more challenging regulatory/permitting backdrop increasing value of pipes in the ground and need for long-term growth opportunities, M&A activity is poised to rise. Gas infrastructure in favor illustrated by Enbridge-Spectra and TransCanada-Columbia mergers and pursuits of Williams. Could also see more joint ventures to ease financing needs. For example the $2 billion investment by Enbridge Energy Partners and MPLX for a 37% stake in the Dakota Access pipeline could potentially act as precursor to SXL's Mariner East 2 financing. Southern's JV with Kinder Morgan on the Southern Natural Gas Pipeline, Con Edison's JV in Crestwood's in PA, NY gas pipe and storage assets and most recently the close of Dominion's acquisition of Questar mark utilities continued growth in midstream.

Other Midstream Topics

Is the MLP Business Model Broken?

No, but it needs a tune-up. 2015-16 marked the second stress test in the MLP sector since the2008 financial crisis. While the 2008 sell-off was marked by a V-shape recovery following a capital market dislocation, 2015-16 is an energy down cycle that is not V-shaped, as we're entering year three of low oil prices. While some MLPs (and C-corps) took their distribution cut medicine, we don't expect many more cuts. However, there is potential for more limited partner-general partner simplifications or incentive distribution rights resets. Some GPs are doing well, outperforming the MLP index in 2016 (EQGP +25%, TRGP +82%, WGP +13% vs AMZ +9%),

Are Dropdown Stories Broken?

On average, dropdown stories have underperformed in 2016 after prior outperformance. While high quality MLPs have access to the equity capital markets to fund asset dropdowns (acquisitions from the parent), there is a limit to how much equity can be raised in a year. As the general partner distribution becomes more of a burden, we think the high growth MLPs with EBITDA over $750 mm will consider resetting the incentive distribution rights as a way to lower the cost of capital to fund future growth.

Producer Resilience

Oil and gas production is down only a fraction of the approximately 75% rig count drop from the peak. The production resilience is attributable to a combination of lower E&P well costs, longer laterals, high grading, and higher proppant concentrations. While cost inflation may rise a bit if crude prices rise to the $60 range, we believe the productivity enhancements will support oil and gas volumes.

Some Supply Push Remains

In crude oil, the Delaware Basin, SCOOP and STACK should see production growth over the medium term. In gas and NGLs, Marcellus and Utica are the main growth drivers with some increase in the Permian. Worth keeping an eye on DJ Basin, which is proving more resilient than expected.

Infrastructure Overcapacity

Given the 1 mm b/d drop in crude oil production since the April 2015 peak, long-haul crude pipelines and rail terminals have overcapacity. While contracts provide some protection for midstream companies, as current pipe volumes are in some cases below minimum levels, a problem could arise upon contract expiration. We expect incumbent players, if necessary, to lower tariffs upon contract expiration in effort to protect market share. Given the Permian, SCOOP and STACK are the only crude plays expected to post production growth in 2017, the Eagle Ford and DJ Basin face excess pipe takeaway capacity, while Bakken has too much rail takeaway. LPG export capacity will also have excess capacity, likely until 2020, though contracts provide some protection until expiration.

Income is King

Lower for longer isn’t just for commodity prices also global interest rates, inflation, GDP, earnings growth. Amid this backdrop and S&P 500 near all-time high, income becomes a more important element of investor total return. We believe MLPs (AMZ index) offers attractive expected total return of approximately 12%, comprised of 7.3% yield and 4-5% growth.

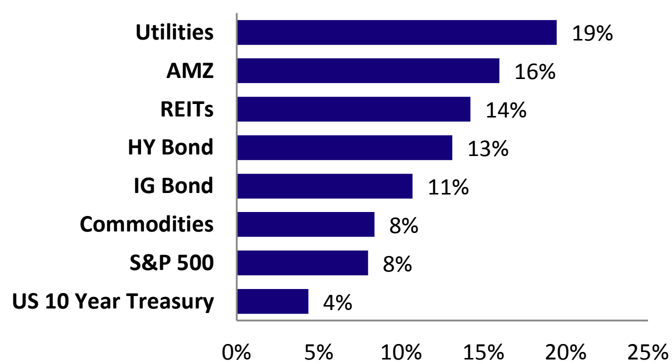
Performance

YTD, the MLP sector total return of 16% is above the 8% of the S&P 500, 11% investment grade, 13% high yield bonds and 14% REITS but below 19% for utilities. But, YTD results mask the initial high volatility. During first 6 weeks of the year as the AMZ plunged 31% to the 199 bottom on February 11 (same date as WTI's bottom) a level not reached since April 2009. Since the February 11 bottom, the AMZ has rallied 59% to 316. As of 9/28/16, AMZ is down 42% from the 8/29/14 peak of 540. Current WTI oil price is down 51% from $96 on 8/29/14 and but up 81% from $26 on 2/11/16.

Relative to our energy asset classes YTD, MLP sector has underperformed on price performance basis. MLP +9% vs. Natural Gas +29%, WTI Crude +27%, E&P +24%, XLE (representing broader energy sector) +16% but outperformed Oil Services 0%.

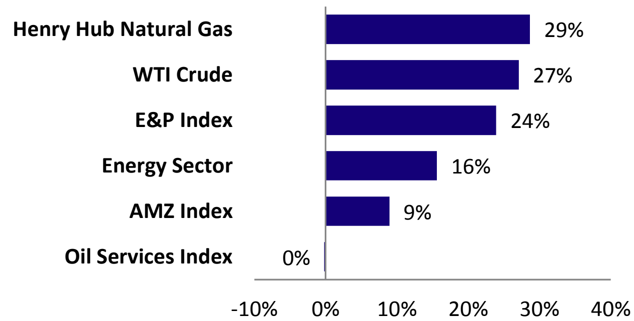
Investor sentiment on the midstream and broader energy sectors has steadily improved since the February oil bottom, May rig count bottom, credit downgrades in 1Q, select MLP distribution cuts, E&P drilling efficiencies and capital raises reducing counterparty risk fears. While global macro backdrop, US presidential election, Fed pace of rate hikes, OPEC production, broader geopolitical risks may cause drive near-term market volatility, we believe investor sentiment will post modest improvement as the global crude oil market rebalances likely in second half of 2017 (potentially sooner if OPEC decides to cut).

Figure 7: MLP Solid Total Return in 2016 (YTD by Asset Class)



Source: Bloomberg

Figure 8: But Lag Energy Sector Returns (YTD, price only)



Source: Bloomberg

Figure 9: Income Asset Class Total Return

2010	2011	2012	2013	2014	2015	2016 YTD	3 year CAGR	5 year CAGR
AMZ 36%	Utilities 19%	REITs 18%	S&P 500 32%	REITs 30%	REITs 3%	Utilities 19%	S&P 500 15%	S&P 500 13%
REITs 28%	AMZ 14%	S&P 500 16%	AMZ 28%	Utilities 29%	S&P 500 1%	AMZ 16%	REITs 11%	REITs 12%
Commod 17%	IG Bond 10%	HY Bond 14%	Utilities 11%	S&P 500 14%	US 10 Y -1%	REITs 14%	Utilities 10%	Utilities 10%
S&P 500 15%	US 10 Y 9%	IG Bond 11%	HY Bond 6%	IG Bond 8%	IG Bond -1%	HY Bond 13%	IG Bond 2%	IG Bond 5%
HY Bond 13%	REITs 9%	AMZ 5%	REITs 3%	AMZ 5%	HY Bond -5%	IG Bond 11%	HY Bond 1%	HY Bond 4%
IG Bond 9%	HY Bond 6%	US 10 Y 1%	IG Bond -2%	US 10 Y 3%	Utilities -6%	Commod 8%	US 10 Y -2%	AMZ 1%
Utilities 6%	S&P 500 2%	Utilities -1%	US 10 Y -7%	HY Bond 2%	Commod -25%	S&P 500 8%	AMZ -3%	US 10 Y 1%
US 10 Y 4%	Commod -13%	Commod -1%	Commod -10%	Commod -17%	AMZ -33%	US 10 Y 4%	Commod -17%	Commod -14%

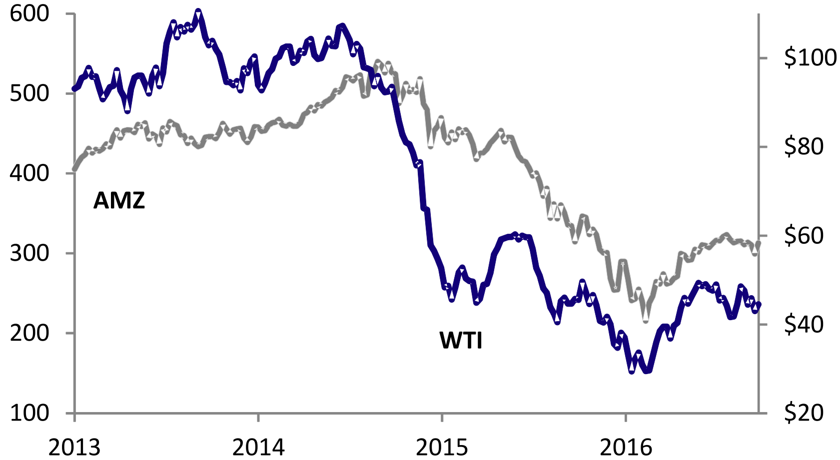
Notes: Commod = Commodities Index; HY Bond = High Yield Bond; IG Bond = Investment Grade Bond; US 10 Y = US 10 Year Treasury

Source: Bloomberg

Commodity price and interest rate correlation

Contrary to recent performance, historically MLP price performance is not highly correlated to commodity prices and interest rate sensitivity is not as high as perceived. While MLP and oil price correlation reached 0.9 in 2016, it is well above the 10-year average of 0.5. Looking at interest rates, MLP and 10-year Treasury correlation is actually slightly negative at -0.1. Historically, MLPs have highest correlation with high yield credit at 0.75. As we've found out in 2016, MLPs are not immune from sudden commodity price drops. But over the long term, MLP price performance is not as highly correlated to commodity prices as perceived. Given expectations of only modestly higher interest rates, MLP price performance is unlikely to be driven by rates.

Figure 10: MLP Index and Oil Prices Correlations Rose in 2016

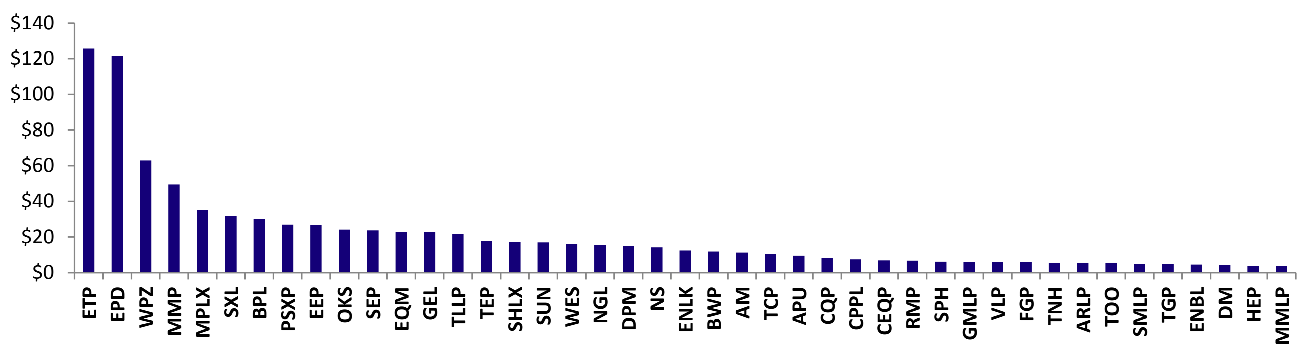


Source: Bloomberg

The MLP Benchmark

The MLP sector benchmark is the Alerian MLP index (AMZ), a market-weighted and float-adjusted index of 44 MLPs with a market cap of $312 billion and float-adjusted market cap of $191 billion. It is worth noting that no general partners (such as ETE) or energy C-corps (such as KMI) are included in the AMZ index. The index is top heavy with the top 5 companies (EPD, ETP, MMP, PAA, WPZ) comprising 48% of the AMZ index and top 10 names 67%. Trading liquidity is highest among top 5 market caps. Looking at credit profile, while only 17 of the 44 companies have an S&P investment grade credit rating, on an index-weighted basis more than 75% is investment grade (EPD alone is 19% of the index).

Figure 11: AMZ Index Constituents Average Trading Value (90-day average, $MM)

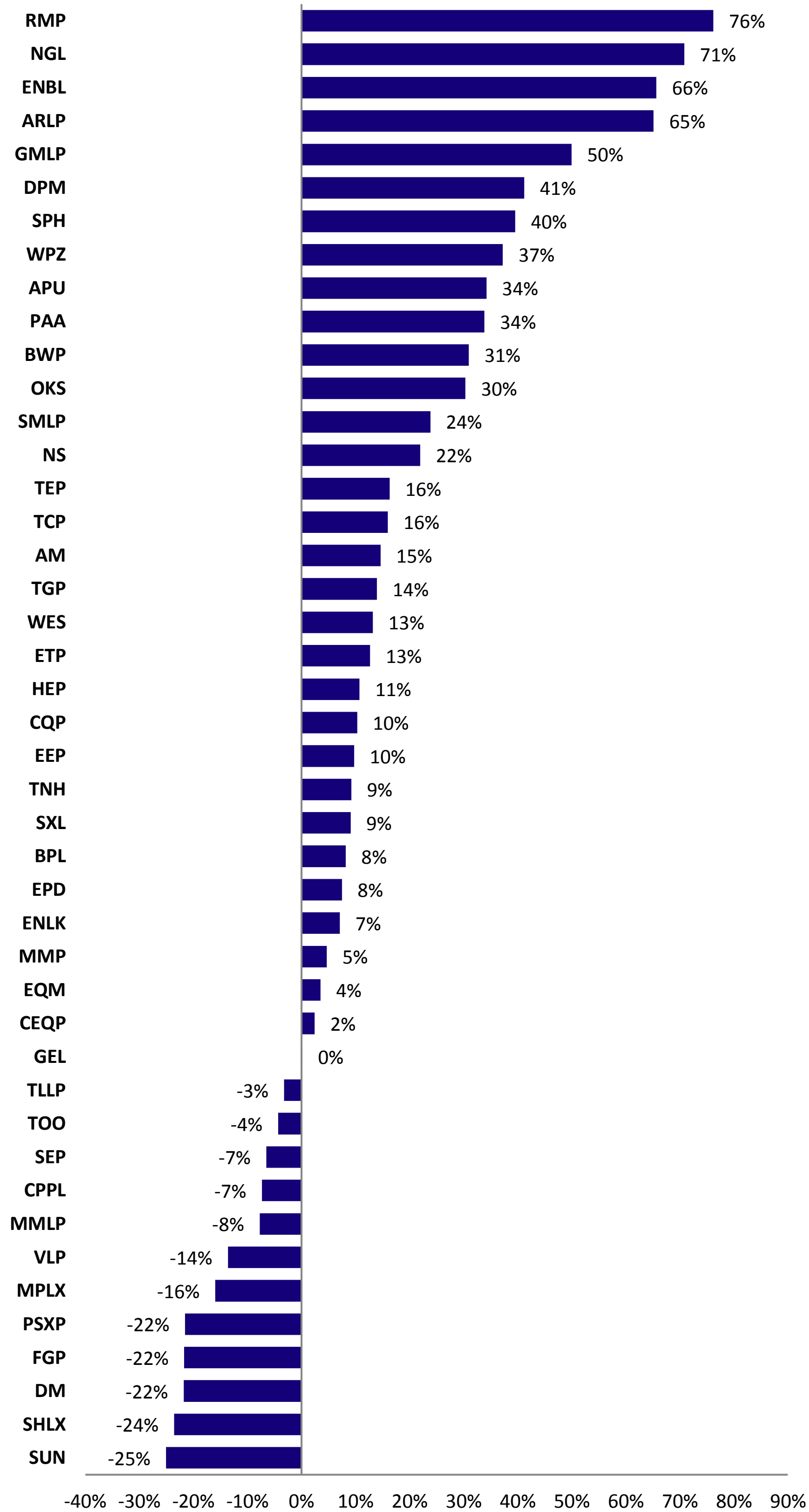


Source: Bloomberg

Company Performance

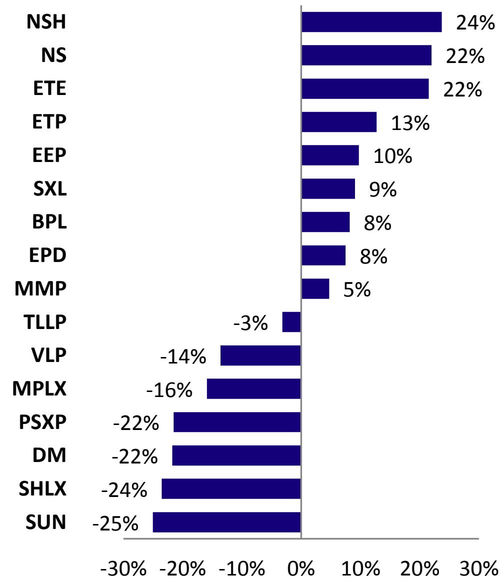
On average, the top 10 YTD (9/28) performers in the AMZ Index are lower growth-higher risk premium names that offered more near-term upside potential from a commodity price recovery. As such, the group handily outperformed the higher-growth, lower risk premium names. The top 10 YTD performers in the AMZ index are RMP, NGL, ENBL, ARLP, GMLP, DPM, SPH, WPZ, APU, PAA. The bottom 10 YTD performers are SUN, SHLX, DM, FGP, PSXP, MPLX, VLP, MMLP, CPPL, SEP. We believe investors will gradually rotate back into some more of the high-growth names as long as equity issuance is conducted in a manageable basis.

Figure 12: AMZ Index Constituent Returns (YTD)



Source: Bloomberg

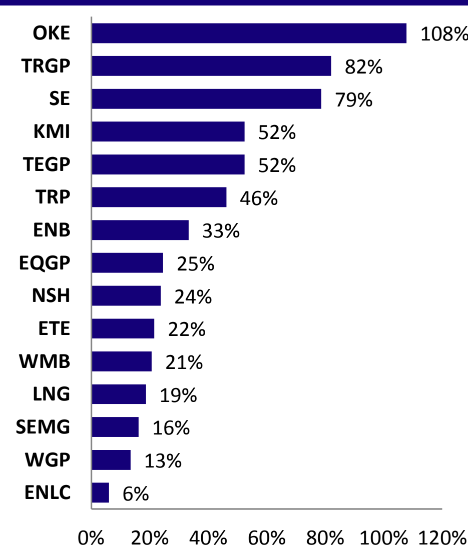
Figure 13: Mizuho MLP Coverage Universe Returns (YTD)



Source: Bloomberg

Midstream C-corps and general partners have outperformed the AMZ (keep in mind AMZ index does not include C-corps or general partners) with OKE +108%, TRGP +82% and SE +79% (helped by ENB merger).

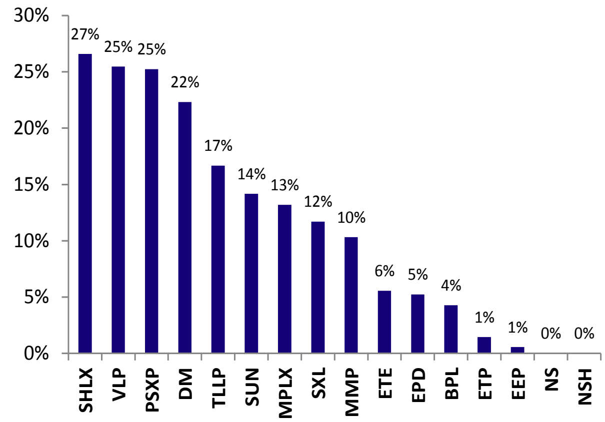
Figure 14: Midstream C-Corp & General Partner Returns (YTD)



Source: Bloomberg

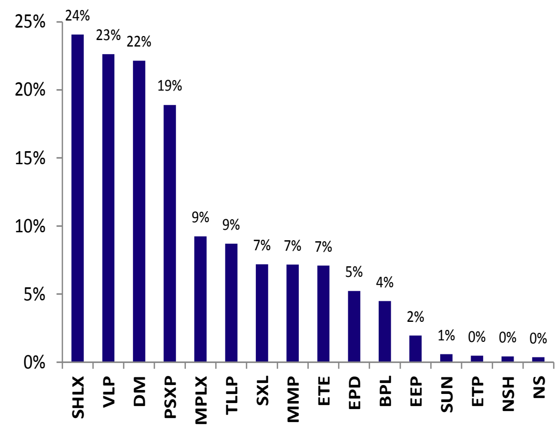
Our coverage universe provides strong distribution growth with an average 15% in 2016 and 9% CAGR 2016-19 supported by contributions from asset drop downs, organic projects and expectation of a modest commodity price recovery helping volume growth. The CAGR range is wide spanning 0.4% (NS, NSH) to 24.1% (SHLX).

Figure 15: Mizuho MLP Coverage Universe Distribution Growth (2016e)



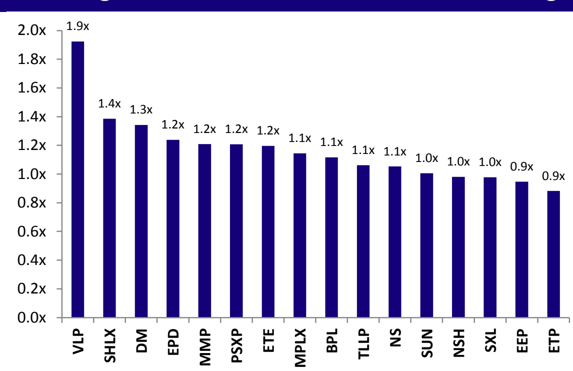
Source: Mizuho Securities USA, Inc.

Figure 16: Mizuho MLP Coverage Universe 3-Year Distribution per unit CAGR (2016-19e)



Source: Mizuho Securities USA, Inc.

Figure 17: Mizuho MLP Coverage Universe Distribution Coverage Ratio (2016e)

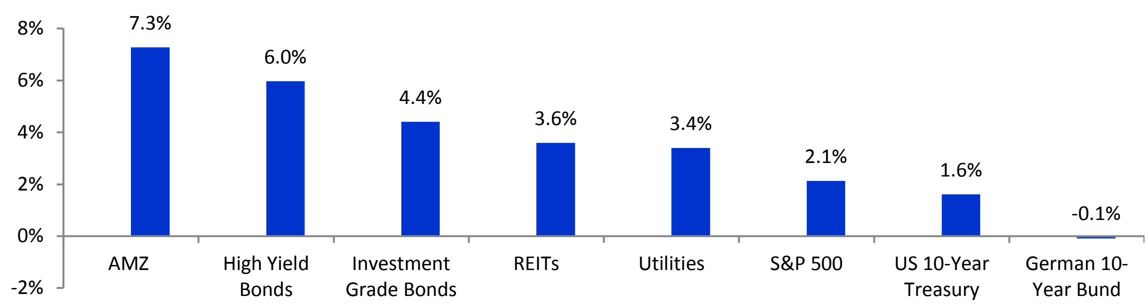


Source: Mizuho Securities USA, Inc.

Valuation

While there are many MLP valuation metrics, none alone is perfect but in aggregate they paint a useful picture. As a starting point, on a distribution (dividend) yield basis, AMZ index offers a healthy 7.3% vs. 3.6% REITs, 3.4% utilities, 6.0% high yield bonds, 4.4% investment grade bonds, 2.1% S&P 500, 1.6% US 10 year Treasury and for fun -0.1% German 10 year Bund. AMZ yield spread to 10 year Treasury is 570 basis points, 210 basis points above the 10-year average. On yield spread basis, AMZ trades wide to other income-oriented asset class relative to 10-year average.

Figure 18: MLPs Attractive Yield Relative to Other Income Asset Classes



Source: Bloomberg, FactSet

Figure 19: MLPs Cheap on Yield Spread Basis - AMZ Index to 10 Year Treasury

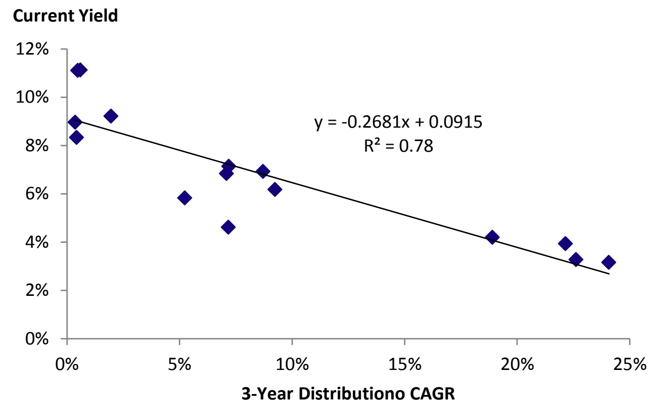
Source: Bloomberg

Figure 20: AMZ Index Yield Spread to Other Yield Asset Classes

	10-Year Treasury	HY Bonds	IG Bonds	Utilities	REITS	German 10-Year Bund
09/23/2016	5.7%	1.3%	3.2%	3.7%	2.9%	7.4%
10-year average spread	3.6%	-1.3%	0.7%	2.5%	2.0%	4.2%

Source: Bloomberg, FactSet

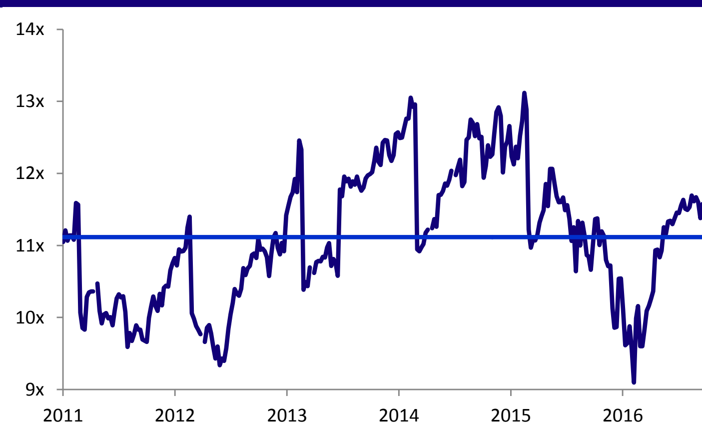
Figure 21: Mizuho MLP Coverage Universe Distribution Yield vs. Growth Regression



Source: Mizuho Securities USA Inc., Bloomberg

Looking at scatterplot on MLP distribution yield vs. our 3-year distribution CAGR estimates, r-squared is relatively high at 0.78. On EV/EBITDA (not deducting GP distribution) 2017 basis, AMZ index is trading at 11.6x vs. 11,1x average since 2011.

Figure 22: AMZ Index EV/EBITDA Near Historical Average (2017e, not GP adjusted)



Source: FactSet

On a company-specific basis, it is important to highlight Mizuho's ratings are based on an absolute, not relative basis, and excludes dividends. A Buy rating means more than 10% share price appreciation over the next 6-12 months, Neutral is share price movement of less than 10% and Underperform is a 10% or more decline.

While the dividend discount model is a more common intrinsic valuation methodology among investors and sell-side analysts, we are using a discounted cash flow (DCF) in our company valuations. We believe DCF is a useful tool that gives credit to companies with higher retained cash flow. We also incorporate a relative valuation methodology, forward EV/Adjusted EBITDA (deducts general partner distribution) to capture the balance sheets of each company.

Our coverage universe has average current distribution yield of 6.7%, 7.2% on 2017, average 2016/17 EV/Adjusted EBITDA multiples of 15.1/13.7x and 2016/17 DCF multiples of 14.5/13.0x. 2016/2017 Debt/EBITDA is 4.4x/4.3x. Distribution CAGR (2016-19) average is 8.8% however with wide range of 0.4% to 24.1%.

For high-growth companies, a useful relative valuation metric is DCF multiple to distribution growth, which is a PEG-like ratio. For example, two high distribution growers SHLX and DM (24% and 22% distribution CAGRs 2016-19e) have above-average 2016 DCF multiple of 21x but are reasonable on DCF/growth below 1.

Figure 23: Mizuho MLP Coverage Comp Sheet

				Distribution Yield		EV/Adjusted EBITDA		Price/DCF		2016				
Company	Ticker	Mizuho Rating	Price	Current	2017e	2016e	2017e	2016e	2017e	Distribution Coverage	Distribution Growth	Debt /EBITDA	3-Year Distribution CAGR	Credit Rating (S&P)
Buckeye Partners	BPL	Neutral	$71.37	6.8%	7.1%	13.5x	13.3x	13.0x	12.9x	1.1x	4.3%	3.9x	4.5%	BBB-
Dominion Midstream Partners	DM	Buy	$23.98	3.9%	4.9%	20.8x	15.7x	20.5x	15.1x	1.3x	22.3%	2.7x	22.1%	n/a
Enbridge Energy Partners	EEP	Buy	$25.32	9.2%	9.3%	12.4x	12.1x	11.5x	11.2x	0.9x	0.6%	4.4x	1.9%	BBB
Enterprise Products Partners	EPD	Buy	$27.50	5.8%	6.1%	15.0x	14.2x	13.8x	13.1x	1.2x	5.2%	4.3x	5.2%	BBB+
Energy Transfer Equity	ETE	Buy	$16.70	6.8%	6.8%	16.8x	16.0x	15.2x	14.9x	1.2x	5.6%	4.4x	7.1%	BB
Energy Transfer Partners	ETP	Buy	$38.02	11.1%	11.1%	10.1x	8.9x	11.1x	8.9x	0.9x	1.4%	6.1x	0.5%	BBB-
Magellan Midstream Partners	MMP	Neutral	$71.12	4.6%	5.0%	17.3x	16.0x	21.5x	19.8x	1.2x	10.3%	3.6x	7.2%	BBB+
MPLX	MPLX	Neutral	$33.06	6.2%	6.9%	14.3x	14.0x	13.2x	13.0x	1.1x	13.2%	4.2x	9.2%	BBB-
NuStar Energy	NS	Neutral	$48.92	9.0%	9.0%	13.2x	12.9x	10.5x	10.7x	1.1x	0.0%	6.0x	0.4%	BB+
NuStar GP Holdings	NSH	Neutral	$26.17	8.3%	8.3%	12.4x	12.4x	12.2x	12.2x	1.0x	0.0%	0.3x	0.4%	n/a
Phillips 66 Partners	PSXP	Buy	$48.17	4.2%	5.2%	18.8x	16.4x	17.9x	14.4x	1.2x	25.2%	4.4x	18.9%	BBB
Shell Midstream Partners	SHLX	Buy	$31.74	3.2%	3.9%	18.7x	16.7x	21.6x	17.5x	1.4x	26.6%	1.5x	24.1%	n/a
Sunoco	SUN	Neutral	$29.69	11.1%	11.1%	12.3x	11.3x	8.8x	8.9x	1.0x	14.2%	7.7x	0.6%	BB
Sunoco Logistics Partners	SXL	Neutral	$28.04	7.1%	7.7%	16.5x	14.4x	14.7x	12.4x	1.0x	11.7%	6.8x	7.2%	BBB
Tesoro Logistics	TLLP	Buy	$48.71	6.9%	7.9%	13.9x	12.2x	12.8x	11.6x	1.1x	16.7%	5.8x	8.7%	BB
Valero Energy Partners	VLP	Buy	$44.59	3.3%	4.2%	16.1x	13.4x	13.9x	11.6x	1.9x	25.5%	3.6x	22.6%	n/a
	Average			**6.7%**	**7.2%**	**15.1x**	**13.7x**	**14.5x**	**13.0x**	**1.2x**	**11.4%**	**4.4x**	**8.8%**	
	Median			**6.8%**	**7.0%**	**14.6x**	**13.7x**	**13.5x**	**12.7x**	**1.1x**	**11.0%**	**4.3x**	**7.1%**	

Notes: Adjusted EBITDA = EBITDA - GP distribution; 3-Year distribution CAGR is for 2016 to 2019

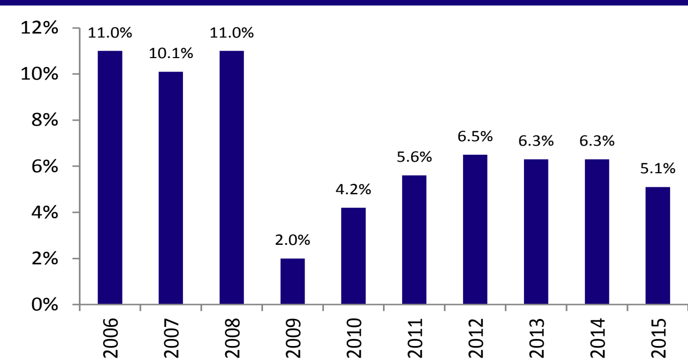
Source: Mizuho Securities USA, Inc., Bloomberg

Figure 24: AMZ Index Comp Sheet

Company	Ticker	Index Weight	Price	Distribution Yield		EV/Adjusted EBITDA		Price/DCF		2016		3-Year Distribution CAGR	Credit Rating (S&P)
				Current	2017e	2016e	2017e	2016e	2017e	Distribution Coverage	Debt /EBITDA		
Enterprise Products Partners	EPD	19.2%	27.5	5.8%	6.2%	15.3x	14.3x	13.8x	13.3x	1.3x	4.5x	5.0%	BBB+
Energy Transfer Partners	ETP	9.5%	38.0	11.1%	11.1%	9.3x	8.2x	10.3x	7.9x	2.0x	4.8x	2.1%	BBB-
Magellan Midstream Partners	MMP	8.4%	71.1	4.6%	5.0%	17.5x	16.2x	17.7x	16.2x	1.4x	3.6x	8.3%	BBB+
Plains All American Pipeline	PAA	6.1%	30.9	9.0%	7.2%	10.8x	9.9x	12.8x	12.4x	1.1x	5.1x	-2.6%	BBB-
Williams Partners	WPZ	4.9%	38.2	8.9%	8.9%	10.2x	10.1x	11.7x	12.9x	1.2x	4.4x	0.3%	BBB-
Buckeye Partners	BPL	4.8%	71.4	6.8%	7.1%	13.6x	13.2x	13.0x	12.7x	0.9x	3.9x	3.5%	BBB-
MPLX	MPLX	4.3%	33.1	6.2%	6.9%	11.6x	10.4x	12.5x	11.3x	1.4x	3.3x	8.9%	BBB-
Sunoco Logistics Partners	SXL	3.3%	28.0	7.1%	7.7%	12.0x	9.8x	14.6x	11.7x	1.9x	4.7x	6.8%	BBB
ONEOK Partners	OKS	3.2%	39.3	8.0%	8.1%	10.2x	9.6x	11.5x	10.7x	1.2x	4.1x	2.3%	BBB
Enbridge Energy Partners	EEP	2.8%	25.3	9.2%	9.2%	11.7x	11.2x	10.6x	9.8x	1.0x	4.4x	0.7%	BBB
EQT Midstream Partners	EQM	2.4%	78.1	4.0%	4.9%	13.2x	11.8x	14.7x	13.9x	2.3x	2.0x	16.3%	BBB-
Western Gas Partners	WES	2.2%	53.8	6.2%	6.7%	11.0x	10.2x	13.4x	13.3x	1.6x	3.1x	7.3%	BBB-
Genesis Energy	GEL	2.0%	36.8	7.5%	8.0%	13.3x	12.1x	10.6x	9.7x	1.0x	5.4x	6.8%	BB-
AmeriGas Partners	APU	1.6%	46.0	8.2%	8.3%	11.7x	10.4x	13.3x	11.2x	1.2x	4.4x	2.8%	NR
NuStar Energy	NS	1.6%	48.9	9.0%	9.0%	11.9x	11.5x	10.6x	10.5x	1.3x	5.4x	0.4%	BB+
DCP Midstream Partners	DPM	1.6%	34.8	8.9%	9.0%	10.9x	10.8x	10.5x	10.7x	1.6x	4.0x	1.0%	BB
Spectra Energy Partners	SEP	1.7%	44.6	6.0%	6.4%	11.3x	10.2x	12.7x	11.5x	1.6x	3.7x	5.4%	BBB
Tesoro Logistics	TLLP	1.7%	48.7	6.9%	8.0%	11.2x	9.8x	12.9x	11.6x	1.8x	4.5x	10.5%	BB
EnLink Midstream Partners	ENLK	1.4%	17.8	8.8%	8.8%	12.2x	11.2x	10.4x	10.4x	1.2x	4.4x	0.9%	BBB-
Shell Midstream Partners	SHLX	1.4%	31.7	3.1%	4.0%	20.6x	15.2x	19.8x	17.0x	2.6x	1.9x	23.9%	n/a
TC PipeLines	TCP	1.5%	57.7	6.5%	6.8%	14.5x	13.6x	13.4x	13.4x	1.2x	4.8x		BBB-
Boardwalk Pipeline Partners	BWP	1.1%	17.0	2.4%	2.6%	10.0x	9.5x	8.8x	8.2x	4.3x	4.7x	44.5%	BBB-
Suburban Propane Partners	SPH	1.1%	33.9	10.5%	10.5%	14.1x	10.4x	14.9x	9.8x	1.1x	5.3x	0.0%	BB-
Antero Midstream Partners	AM	0.9%	26.2	3.8%	5.0%	14.8x	11.5x	15.5x	12.2x	2.3x	2.0x	21.7%	BB
Tallgrass Energy Partners	TEP	1.0%	47.9	6.3%	7.5%	12.2x	9.2x	12.8x	11.4x	2.0x	3.0x	12.4%	BB+
Phillips 66 Partners	PSXP	1.1%	48.2	4.2%	5.3%	15.0x	10.8x	18.1x	13.6x	1.7x	3.0x	21.1%	BBB
NGL Energy Partners	NGL	0.9%	18.9	8.3%	11.0%	9.2x	7.7x	6.4x	5.2x		5.0x	13.9%	BB-
Sunoco LP	SUN	0.8%	29.7	11.1%	11.4%	11.1x	9.8x	8.1x	7.4x	2.8x	6.4x	1.9%	BB
Ferrellgas Partners	FGP	0.5%	13.0	15.8%	11.7%	10.3x	10.1x	6.6x	6.4x	0.9x	6.4x	-13.1%	B+
Cheniere Energy Partners	CQP	0.7%	28.8	5.9%	6.1%			-15.3x	13.0x			17.4%	BB
Enable Midstream Partners	ENBL	0.6%	15.2	8.3%	8.1%	12.0x	11.6x	11.4x	10.9x	1.0x	4.1x	2.1%	BB+
Holly Energy Partners	HEP	0.6%	34.5	6.8%	7.4%	11.3x	10.0x	11.2x	11.1x	1.6x	3.8x	5.1%	BB+
Crestwood Equity Partners	CEQP	0.5%	21.3	11.3%	11.3%	8.5x	9.2x	5.0x	6.2x	2.5x	3.5x	4.9%	BB-
Alliance Resource Partners	ARLP	0.5%	22.3	7.9%	8.6%			3.6x	4.5x	2.7x			n/a
Valero Energy Partners	VLP	0.5%	44.6	3.3%	4.2%	14.5x	11.6x	14.7x	12.7x	1.9x	3.1x	23.8%	n/a
Golar LNG Partners	GMLP	0.4%	20.1	11.5%	11.5%	7.5x	6.6x	7.0x	7.0x		3.9x		n/a
Summit Midstream Partners	SMLP	0.4%	23.2	9.9%	10.2%	10.5x	9.9x	8.2x	7.7x	1.1x	4.7x	2.8%	B+
Columbia Pipeline Partners	CPPL	0.5%	16.2	4.9%	5.7%			19.7x	16.6x	7.7x			n/a
Teekay LNG Partners	TGP	0.4%	15.0	3.7%	3.9%	10.2x	10.5x	4.5x	3.9x		6.2x	73.3%	n/a
Martin Midstream Partners	MMLP	0.3%	20.0	16.2%	13.5%	9.2x	8.9x	6.9x	6.4x		5.1x	-4.7%	B+
Rice Midstream Partners	RMP	0.6%	23.8	3.8%	4.7%	14.9x	12.9x	14.3x	13.4x	1.6x	1.8x	18.2%	n/a
Terra Nitrogen Co	TNH	0.3%	111.0	9.3%									n/a
Dominion Midstream Partners	DM	0.2%	24.0	3.9%	4.9%	34.2x	18.4x	20.7x	15.2x	4.7x	2.7x	22.4%	n/a
Teekay Offshore Partners	TOO	0.3%	6.2	7.1%	6.8%	7.5x	6.0x	3.4x	2.9x			27.4%	n/a
Weighted Index Metrics				**7.2%**	**7.4%**	**12.6x**	**11.5x**	**12.6x**	**11.8x**	**1.5x**	**4.1x**	**6.0%**	
Average Metrics				**7.5%**	**7.7%**	**12.5x**	**10.9x**	**11.1x**	**10.6x**	**1.9x**	**4.1x**	**10.4%**	
# of investment grade rated companies													**17**
% investment grade rated													**39%**
Weighted % investment grade rated													**78%**

Source: Bloomberg

Figure 25: AMZ Index Annual Distribution Growth



Source: Alerian

Commodities Overview

Figure 26: Mizuho Energy Equity Research Commodity Price Deck

	2015	1Q16	2Q16	3Q16e	4Q16e	2016e	2017e	2018e	2019e	2020e
Crude oil (WTI) per barrel	$48.76	$33.55	$45.64	$45.00	$42.00	$41.55	$50.00	$60.00	$62.00	$62.00
Crude oil (Brent) per barrel	$53.60	$35.13	$47.03	$47.00	$44.00	$43.29	$52.00	$62.00	$64.00	$64.00
Natural gas (Henry Hub) per MMBtu	$2.63	$1.98	$2.25	$2.81	$2.90	$2.48	$3.30	$3.25	$3.40	$3.40
Natural gas liquids (Mont Belvieu) per gallon	$0.47	$0.38	$0.47	$0.46	$0.48	$0.45	$0.58	$0.72	$0.80	$0.83
Natural gas liquids (Mont Belvieu) per barrel	$19.82	$16.04	$19.94	$19.27	$20.30	$18.89	$24.20	$30.35	$33.65	$34.96
Ethane (Mont Belvieu) per gallon	$0.18	$0.16	$0.20	$0.18	$0.20	$0.19	$0.27	$0.36	$0.42	$0.47
Propane (Mont Belvieu) per gallon	$0.46	$0.39	$0.49	$0.47	$0.50	$0.46	$0.59	$0.76	$0.84	$0.86
Normal butane (Mont Belvieu) per gallon	$0.58	$0.52	$0.58	$0.58	$0.66	$0.58	$0.78	$0.95	$1.08	$1.11
Isobutane (Mont Belvieu) per gallon	$0.61	$0.53	$0.64	$0.66	$0.67	$0.62	$0.80	$0.97	$1.10	$1.13
Natural gasoline (Mont Belvieu) per gallon	$1.09	$0.77	$0.97	$0.96	$0.95	$0.91	$1.07	$1.28	$1.34	$1.35

Source: Mizuho Securities USA, Inc., Bloomberg

We expect a gradual oil price recovery as the oversupplied market eases and global-supply demand likely balances in 2H17. However the large inventory overhang, high OPEC and Russia production and low-cost US shale production will likely set a price ceiling. US shale production can come back online quickly, evidenced by oil rig count rising 15 out of last 17 weeks since May 27 trough and near-record OPEC and Russia production. In 2017, we expect a two steps forward one step back type of oil price movement, with a slow grind back to the $50s and eventually $60 in 2018. Our 2017 commodity price forecasts are Oil (WTI) $50 per barrel, Natural Gas $3.30 per MMBtu and NGLs $0.58 per gallon (benefitting from less ethane rejection and higher oil prices).

Crude oil and refined products

US crude oil production has been fairly resilient during the drops in both commodity price and rig count. While WTI (West Texas Intermediate) price fell 58% to $45 (from $107 in June 2014) and rig count 74% to 418 (from October 2014 peak of 1609), total US crude production (EIA weekly data as of 9/16/16) of 8.5 mm b/d is down only 11.6% or 1.1 mm b/d from the June 2015 peak (9.6 mm b/d). On a monthly basis (latest EIA data), total US crude production of 8.7 mm b/d in June 2016 down 9.6% from high of 9.6 mm b/d in April 2015. The 926 mb/d decline was due to lower onshore volumes (Texas -386, Rockies -152, Bakken -139, West Coast-131), partially offset by a modest (+38) increase in Gulf of Mexico production.

Why has US oil production only declined a fraction of the commodity and rig count drop? The answer is a combination of lower E&P well costs, longer laterals, high grading, higher proppant concentrations (more sand per well) and higher productivity. From Jan 2015 to Sep 2016, (marking post-OPEC announcement of no production cuts in late November 2014) US oil production per rig has grown significantly. In the Big 4 oil basins oil production per rig has risen Permian +128% to 539 b/d, Niobrara +93% to 982 b/d, Bakken +71% to 875 b/d, Eagle Ford +65% to 1,153 b/d.

Rig count rising. Oil rig count is 32% to 418 from trough on 5/27/16, down 74% from peak in October 2014 and down 35% YoY. Since the May 27 low of 316, the oil rig count has risen 15 out of last 17 weeks. The oil rig count low of 316 occurred May 27, and reached an all-time high of 1,609 in October 2014.

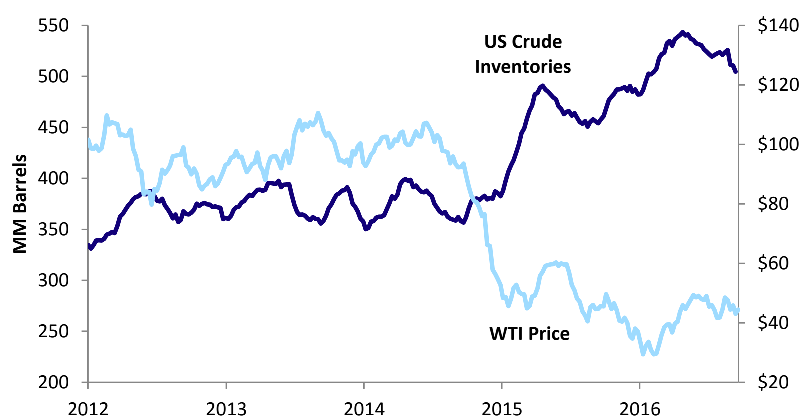
Inventory Overhang Should Gradually Reduce

US crude stocks remain at well above-average levels but are beginning to draw. Inventories of 503 mm barrels are 45 mm above last year but are 41 mm below the late April peak and are its lowest level since February. Gasoline inventory of 227 mm barrels are 10 mm above last year, but near 2016 low of 225 mm. Distillate stocks of 163 mm barrels are 9 mm above last year and a bit below 2016 high of 166 mm. By September 2017, crude storage levels are anticipated to decline approximately 17 mm barrels to 486 mm barrels, gasoline stocks to stay roughly flat at 228 mm and distillate stocks to decline about 10 mm to 153 mm barrels, according to EIA.

Canadian Production

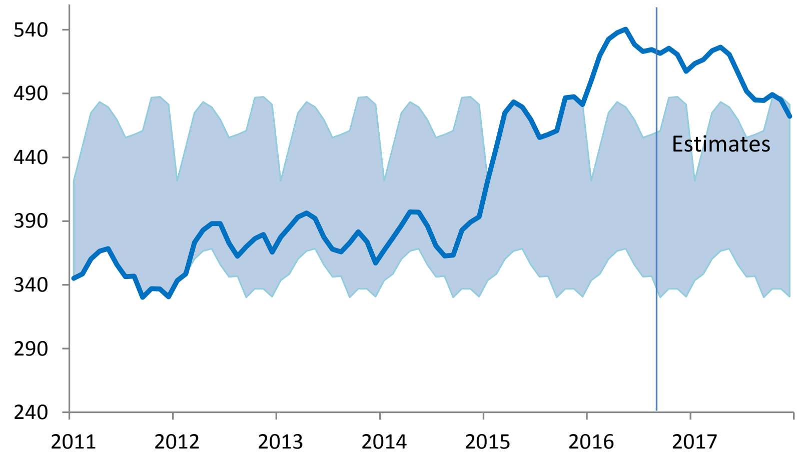
With Canada as the largest foreign supplier of US crude and nearly all of it is transported by pipeline, it is important to assess Canada's production outlook. Despite low crude prices, Western Canadian Sedimentary Basin (WCSB) production is expected to modestly increase by 187 mb/d in 2017 and 513 mb/d to 4.15 mmb/d 2020, according to CAPP.

Figure 27: US Inventory Overhang Weighs on Oil Price



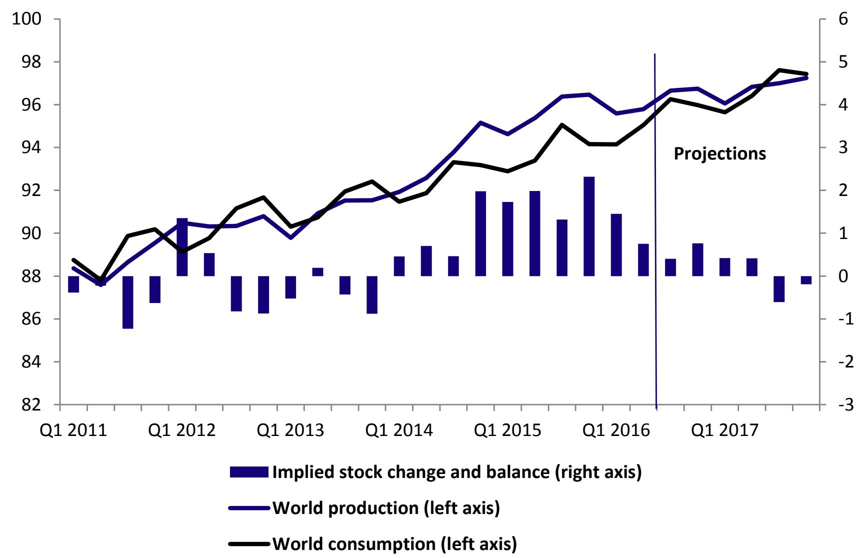
Source: Bloomberg, FactSet

Figure 28: US Crude Oil Stocks Are Above Five-Year Average But Should Draw in 2017



Source: EIA

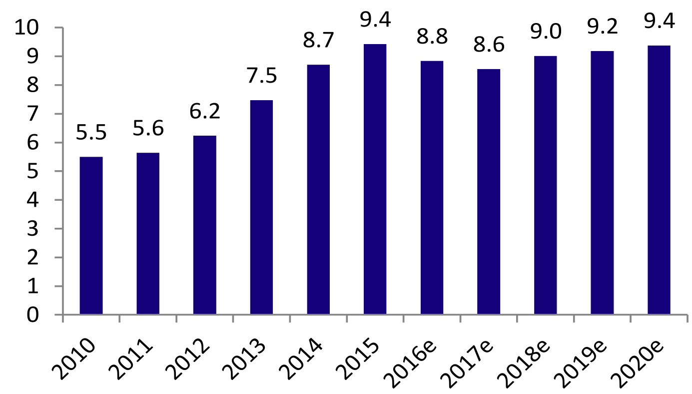
Figure 29: Global Oil Supply & Demand Should Balance in 2H17 (MMB/d)



Source: EIA

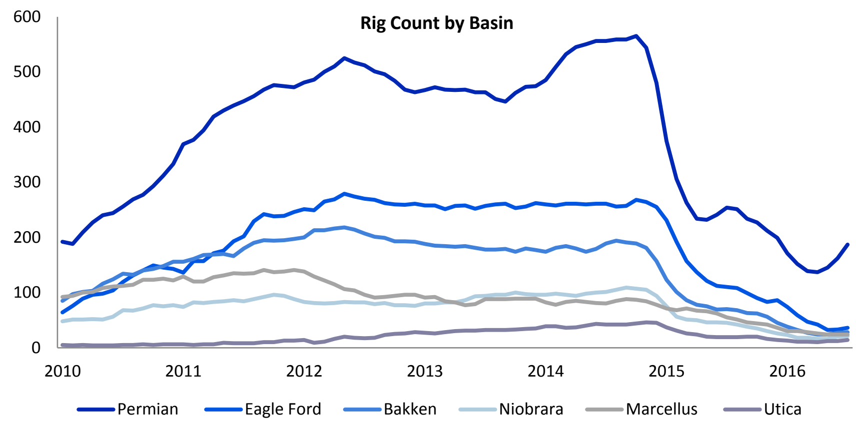
While we expect the oil market to gradually rebalance over the next 12 months, we are seeing signs of US production bottoming in Q3. Combining rising rig counts (especially in Permian) and increasing producer productivity (for example, EOG cites 21-43% drop in its costs depending on basin since 2014), US production is likely to rebound but at a measured pace. We do not expect US crude production to return the 2015 peak until 2019 or 2020.

Figure 30: US Crude Oil Production Not Expected to Return to 2015 Level Until 2020 (MMb/d)



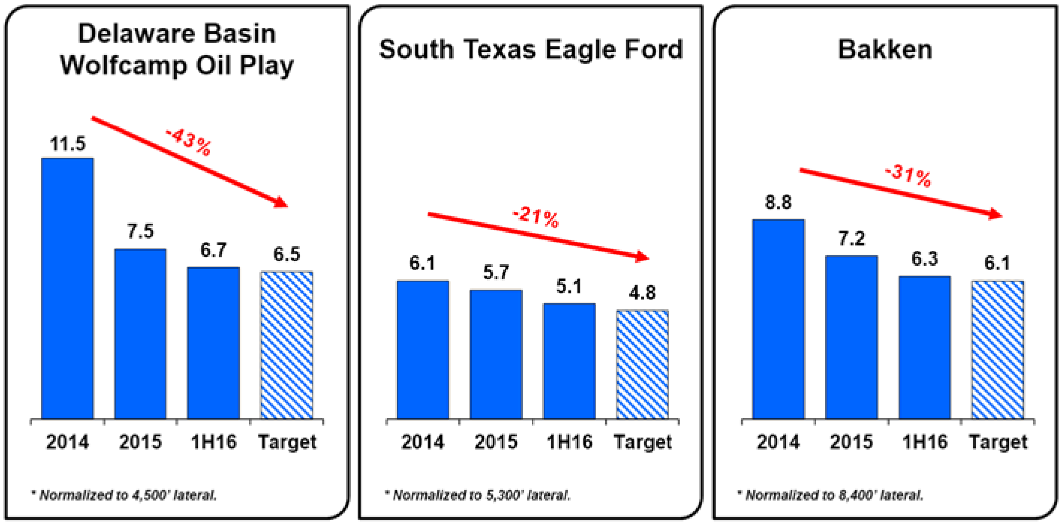
Source: EIA, Bloomberg

Figure 31: Permian Leads the Way - Rig Count by Basin



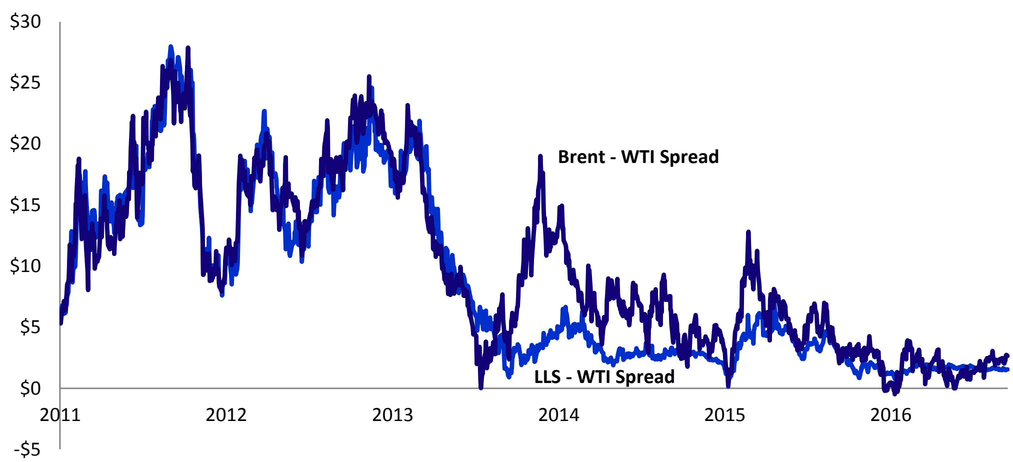
Source: Bloomberg

Figure 32: Lower Oil Production Costs – EOG Resources



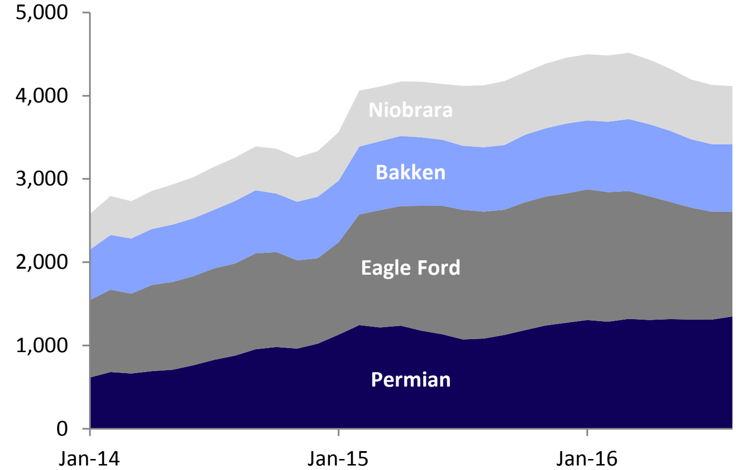
Source: EOG Resources

Figure 33: Narrowing Crude Price Differentials



Source: Bloomberg

Figure 34: Drilled but Uncompleted Wells (DUCs) in Big 4 Oil Basins Gradually Declining



Source: EIA

Figure 35: Oil & Gas Production – Permian, Marcellus, Utica Most Resilient, Eagle Ford Least

	Oil Production (Mb/d)				Gas Production (Bcf/d)	
	Bakken	Eagle Ford	Niobrara	Permian	Marcellus	Utica
Jan 2015	1,223	1,667	465	1,695	16.7	2.1
Feb 2015	1,214	1,698	477	1,807	16.7	2.2
Mar 2015	1,225	1,708	488	1,882	16.9	2.2
Apr 2015	1,202	1,659	497	1,908	16.8	2.4
May 2015	1,233	1,618	490	1,900	16.4	2.6
Jun 2015	1,240	1,565	479	1,889	16.3	2.6
Jul 2015	1,235	1,575	486	1,864	16.5	2.7
Aug 2015	1,214	1,517	492	1,905	16.8	2.8
Sep 2015	1,188	1,497	477	1,928	16.9	2.9
Oct 2015	1,197	1,488	490	1,922	16.6	3.2
Nov 2015	1,204	1,462	486	1,962	16.9	3.4
Dec 2015	1,172	1,475	470	1,851	17.4	3.5
Jan 2016	1,137	1,437	464	1,933	18.1	3.5
Feb 2016	1,139	1,399	453	1,972	18.6	3.7
Mar 2016	1,129	1,346	442	1,985	18.2	3.6
Apr 2016	1,064	1,320	435	1,992	18.0	3.7
May 2016	1,067	1,264	426	1,988	17.9	3.6
Jun 2016	1,046	1,207	410	1,979	17.9	3.6
Jul 2016	1,009	1,142	394	1,971	17.9	3.6
Aug 2016	973	1,081	379	1,969	17.8	3.6
Sep 2016	942	1,027	369	1,977	17.8	3.6
Oct 2016	914	982	361	1,999	17.8	3.6
Current vs. Jan 2015	**-25%**	**-41%**	**-22%**	**18%**	**7%**	**75%**

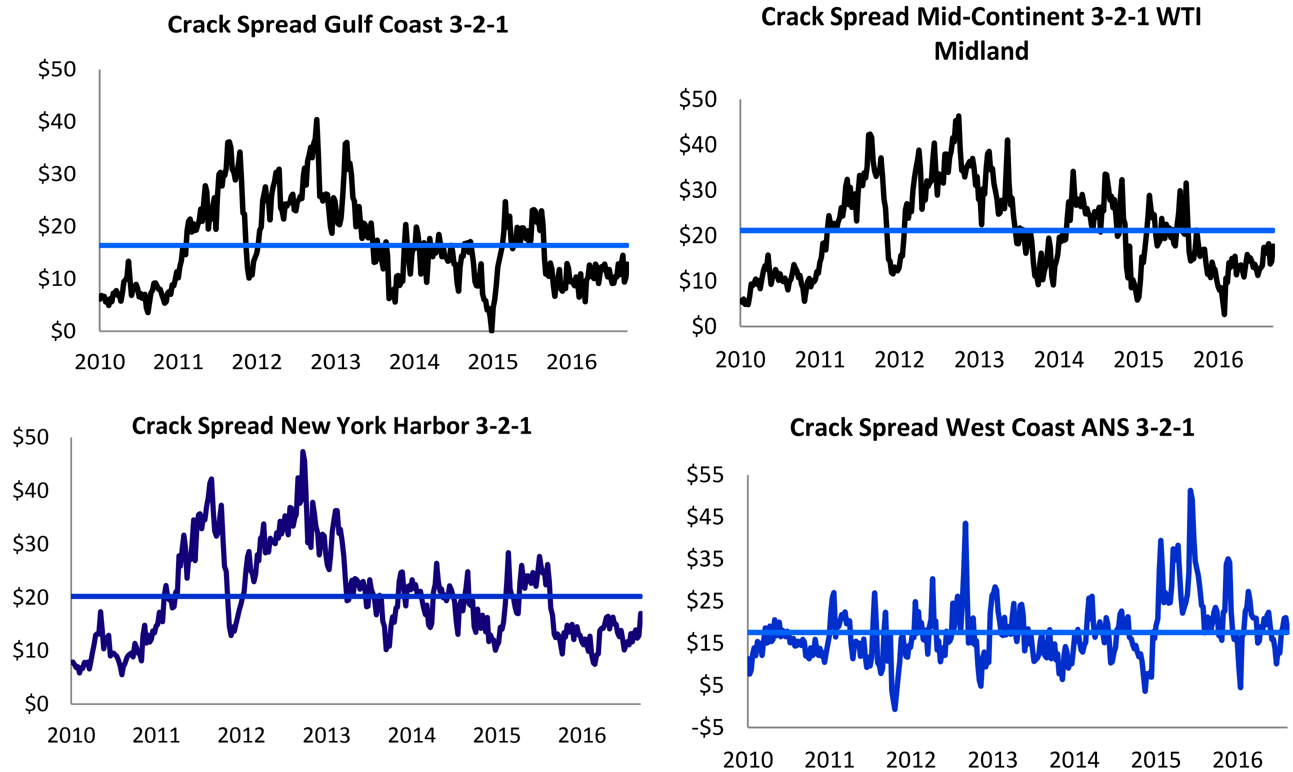
Source: EIA

Crude Oil Demand Remains High Despite Weak Refining Margins

U.S. refinery runs and utilization remain high despite narrower crude price differentials and weaker crack spreads. Refinery runs of 16.6 mm b/d were 1.2 mm b/d or 9% higher than average of 15.4 mm b/d since 2010. Refinery utilization of 92% vs. average of 88.3% since 2010. We expect utilization to decline a bit during fall refinery turnaround season. October 2015 utilization averaged 87.2%.

Looking at 2016 YTD average, U.S. refineries have consumed more crude even though refining margins have dropped YoY. While Gulf Coast 3-2-1 crack spreads fell 39% to $10.50 per barrel, West Coast down32%, East Coast down 39%, Mid-continent -37%, US crude runs have risen 1% to 16.3 mm b/d. And refinery utilization rates are 91% in 2016 vs. 92% in 2015 and 88% average since 2010.

Figure 36: 2016 Refining Margins Decline From Strong 2015 Levels



Source: Bloomberg

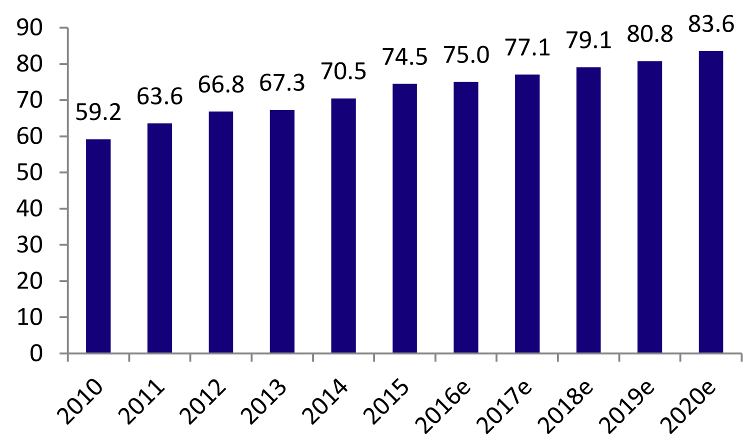
Refined Products

Refined products demand expected to rise 1.1% YoY in 2016 and 0.7% in 2017, according to EIA. Gasoline demand, the largest component of refined products mix, is anticipated to grow by 1.9% to 9.33 mm b/d in 2016, as higher vehicle miles traveled is partially offset by improving vehicle fuel economy. In 2017, gasoline demand is expected to decline slightly 0.1% due to fuel economy. Distillates (diesel and heating oil) demand is expected to decline 2.5% in 2016 due to relatively warm winter and lower oil/gas drilling. However, distillate consumption is anticipated to rise 2.1% in 2017. Jet fuel demand is expected to grow 2.8% in 2016 but decline modestly by 0.6% in 2017 due to airline fuel economy.

Natural gas

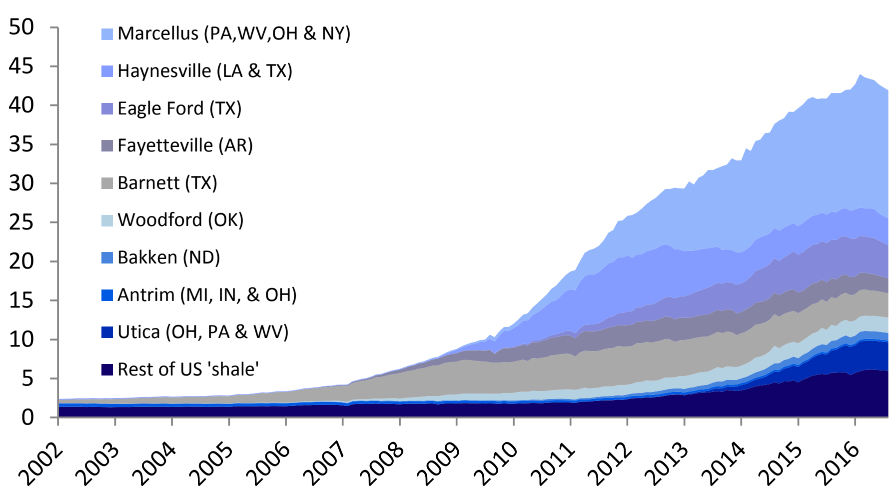
Despite relatively low prices, US natural gas production is expected to growth 11% to 83 Bcf/d by 2020, according to EIA. Growth is driven largely by higher Marcellus and Utica volumes and to lesser degree Permian production. Resilient volumes supported by higher E&P productivity and lower costs. For example, Range Resources cites a 63% drop in well costs since 2012.

Figure 37: US Dry Gas Production Expected to Post Steady Growth (Bcf/d)



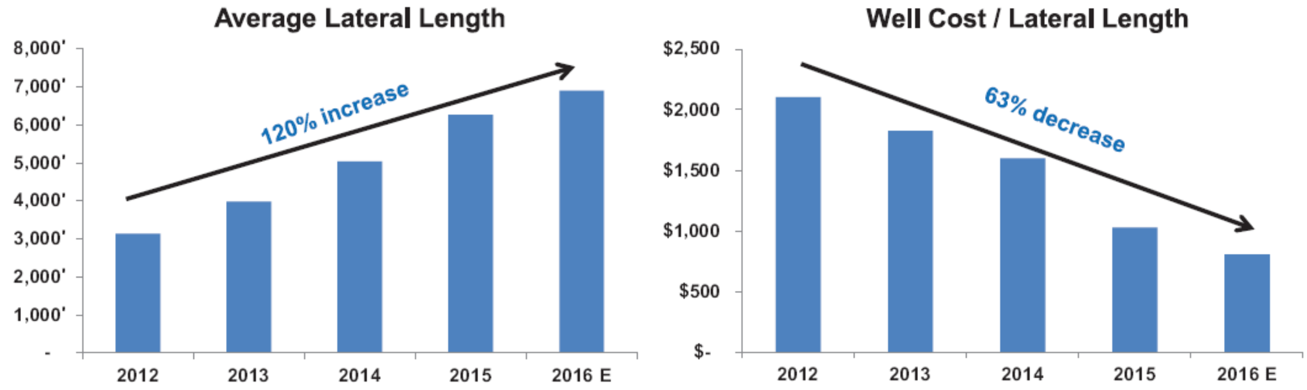
Source: EIA, Bloomberg

Figure 38: Dry Shale Gas Production by Basin (Bcf/d)



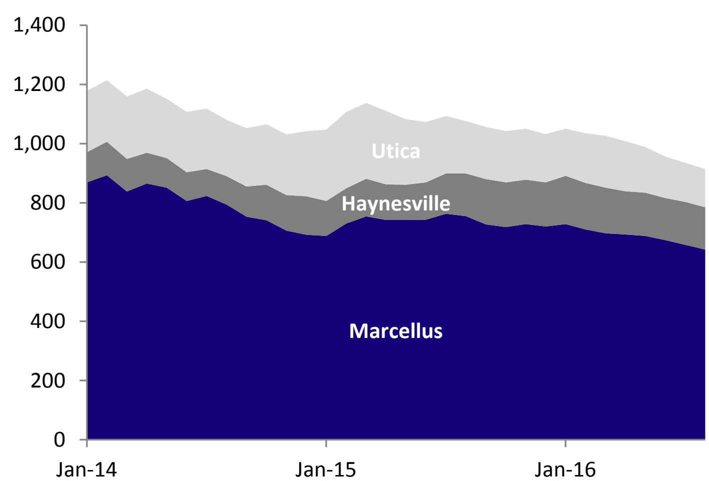
Source: EIA

Figure 39: Gas Drilling - Longer Laterals & Lower Well Costs for Range Resources



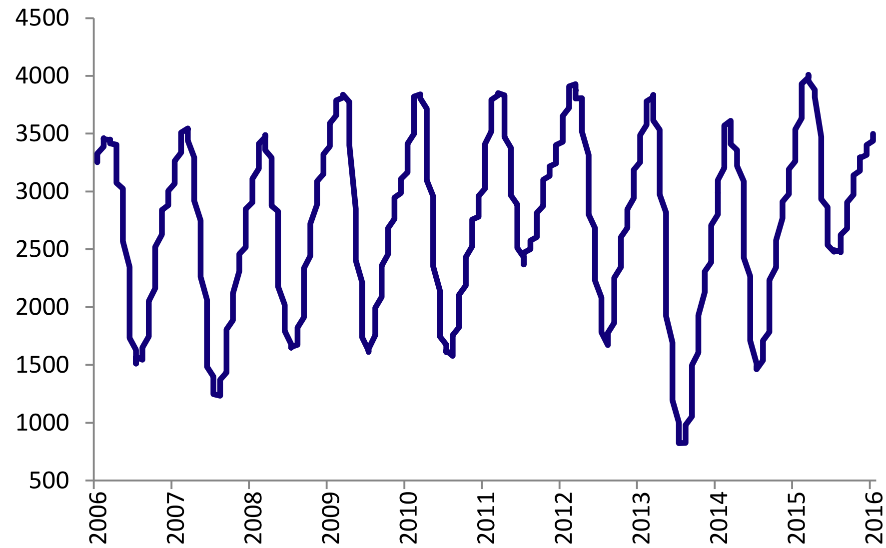
Source: Range Resources

Figure 40: Drilled but Uncompleted Wells (DUCs) in Key Gas Basins Gradually Declining



Source: EIA

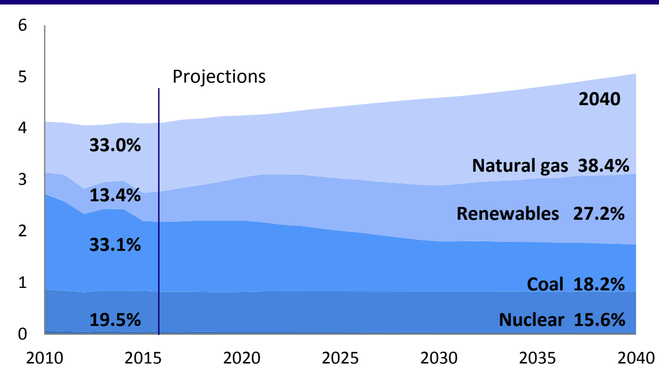
Figure 41: Weekly Lower 48 States Natural Gas Working Underground Storage (BCF)



Source: EIA

Turning to the demand side, power generation is expected to be secular growth story. Natural gas is expected to rise to 38% from 33% of the U.S. electricity generation fuel mix by 2040, according to the EIA.

Figure 42: Gas Playing Larger Role in Electricity Generation Fuel Mix (T Kilowatthours)

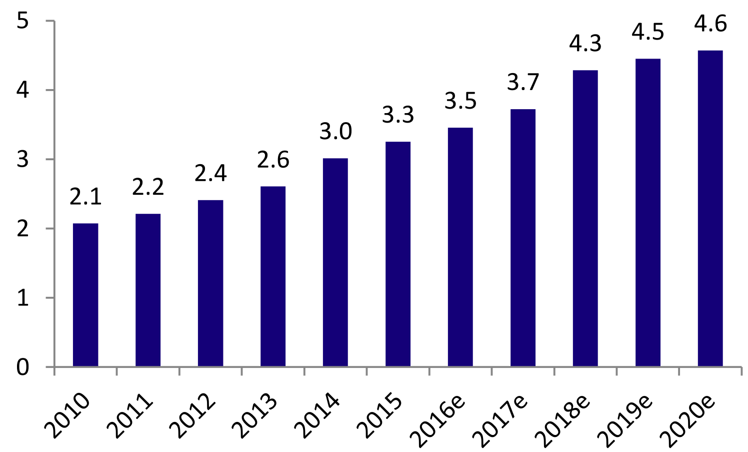


Source: EIA

Natural Gas liquids

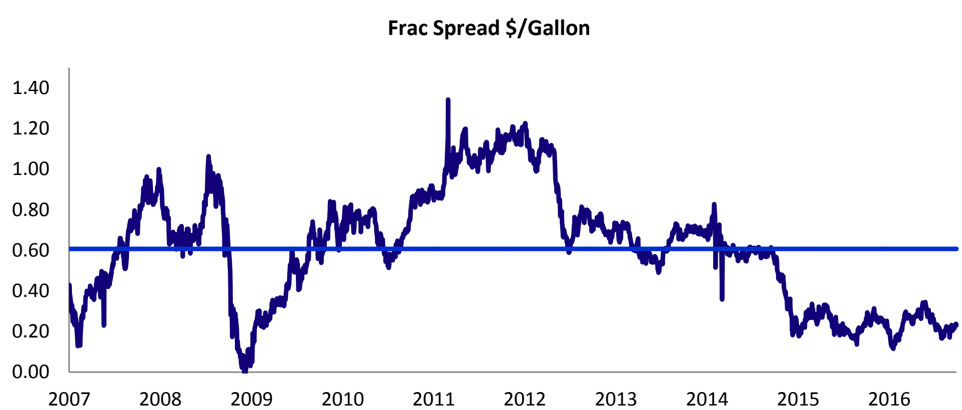
Despite low oil prices and production, NGL production is forecasted to rise 31% to 4.6 mm b/d from 2016 to 2020, according to EIA. The main growth driver is Marcellus/Utica production, supplemented by higher Permian and even Eagle Ford volumes. Fractionation remain depressed at $0.23 per gallon, well below the 10-year of $0.60. However, we expect NGL prices to improve due to higher petchem demand and moderately higher oil prices.

Figure 43: Rising US NGL Production (MMb/d)



Source: EIA

Figure 44: Weak NGL Fractionation Spreads Likely Bottomed



Source: Bloomberg

MLP Basics

What is an MLP?

An MLP is a publicly traded limited partnership that has the liquidity of common stock and tax benefits of a limited partnership. Due to tax code requirements, MLPs are primarily in the energy sector.

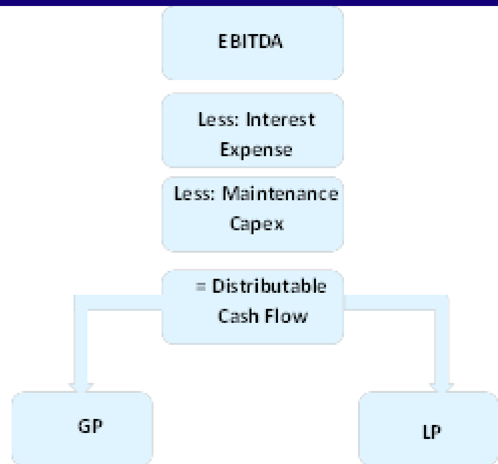
MLPs are a tax-advantaged structure. They pay no corporate income taxes as long as 90% of income is "qualified" as defined by the tax code. Qualifying income activities include energy transportation, storage, processing and production.

MLPs have no double taxation of distributions. Since an MLP is a pass-through entity, investors pay tax on their proportionate share of the MLP's net income. However, high depreciation (energy infrastructure is capital intensive) and other deductions tend to offset net income. In terms of distributions, they are not taxed initially because they are treated as a return of capital and lower an investor's tax basis. Distributions are significantly higher than net income. Net/net, the combined tax impact of net income and distributions means distributions received by investors are generally 80-90% tax deferred. With a final point on taxes, MLP investors receive K-1, not 1099 tax forms.

MLPs are income-oriented investments with an average yield of approximately 7.25% currently. Yields are high, relative to other income asset classes, due to no double taxation and the majority of cash flows are paid out in quarterly distributions. While cash flows are supported by fairly stable energy infrastructure assets, the low commodity price environment is raising MLP risk premiums.

MLPs have two classes of ownership, comprised of general partner (GP) and limited partner (LP) interests. The GP manages partnership operations and owns a 2% interest plus incentive distribution rights. The LPs provide capital and receive cash distributions generated from operations.

Figure 45: MLP Distributable Cash Flow Split Between General and Limited Partners

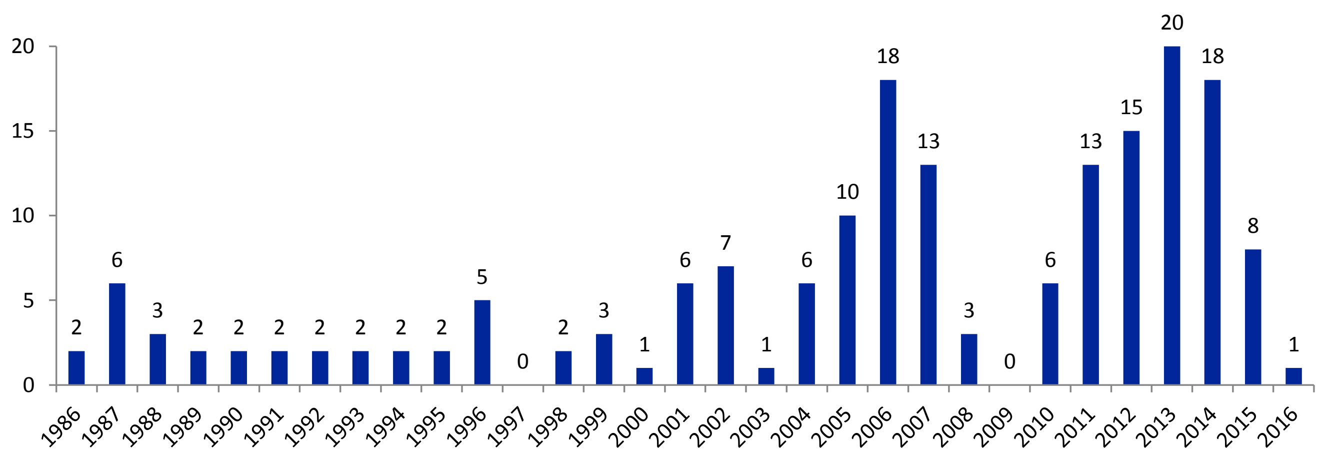


Source: Mizuho Securities USA, Inc.

What size is the MLP asset class?

There are approximately 120 energy MLPs with a market cap of roughly $350 billion, near ExxonMobil's market cap. Excluded from that number are energy infrastructure C-corps (such as KMI, OKE, SE, WMB, ENB, TRP). The MLP asset class has grown due to bursts of IPO activity with 66 transactions in 2011-2014 and 47 in 2004-2007.

Figure 46: MLP IPO History (number per year)



Source: Alerian, Mizuho Securities USA, Inc.

What is the difference between dividends, distributions, shares and units?

Since MLPs are limited partnerships and not common stock, the terminology is different. The C-corp equivalent of a dividend is called a distribution in an MLP. Dividends and distributions have different tax attributes, but both are quarterly cash payments to investors. The equivalent of a common share is called a unit in an MLP.

Are MLPs more like bonds or stocks?

MLPs are a hybrid-like security, offering bond-like yields with some equity-like growth. As an asset class, we view the MLP total return value proposition of approximately 12%, comprised of 7.3% yield and 4-5% distribution growth.

How do MLPs grow if they pay out the majority of cash flow as a distribution?

In general, MLPs pay out 90% or more of their cash flow as a distribution. As such, growth is generally funded externally with 50% debt and 50% equity. While U.S. energy demand is relatively mature, MLP growth opportunities include rising domestic demand for natural gas and natural gas liquids, exports (gas, LNG, NGLs, crude, refined products) and acquisitions. While some MLPs have cut their distributions amid the low commodity price environment, most MLPs have maintained or raised their distributions during the oil price drop since mid-2014.

What are incentive distribution rights and how do they work?

Incentive distribution rights (IDRs) are owned by the general partner and provide an incentive to increase limited partner distributions. IDRs give the GP an increasing percentage of the partnership's incremental cash distributions as LP distributions increase. The incentive distribution to the GP is calculated based on exceeding specified limited partner distributions (spelled out in the partnership agreement). The typical GP allocation tiers are 2%/15%/25%/50%.

To investors unfamiliar with MLPs, IDRs can appear confusing on the surface. However, the IDR uplift to the GP is purely mathematical. IDRs give the GP an increasing percentage of the partnership's incremental cash distributions as LP distributions increase. The incentive distribution to the GP is calculated based on exceeding specified limited partner distributions (spelled out in the partnership agreement). The typical GP allocation tiers are 2%/15%/25%/50%.

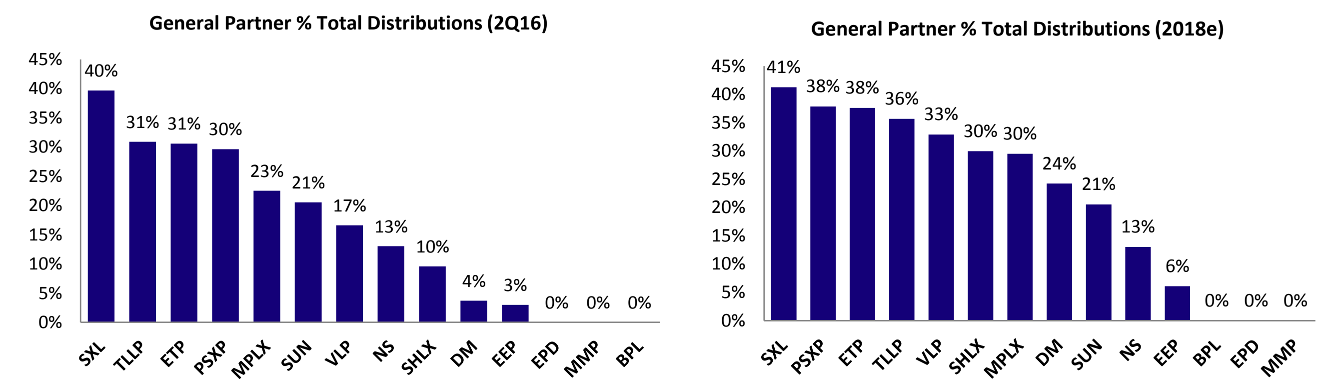
To calculate the general partner distribution, we parse the LP current per unit cash distribution into 4 tiers. For illustrative purposes, we will use PSXP as an example. For tier 1, the GP receives 2% of the quarterly LP cash distribution paid up to $0.244375 per unit. For tier 2, the GP receives 15% of the quarterly LP paid above $0.244375 up to $0.265625 per unit. For tier 3, the GP receives 25% of the quarterly LP distribution paid above $0.265625 up to $0.31875 per unit. For tier 4, the GP receives 50% of the quarterly LP distribution paid above $0.31875 per unit. So while PSXP's general partner incremental split is 50%, in 2Q16 the average is 30% of total distributions.

Figure 47: Walking Through General Partner Math for PSXP

	Quarterly distribution (per PSXP LP unit)	Allocation GP	Allocation LP	2Q16 LP	2Q16 GP	2Q16 Total	2Q16 GP Incremental %	2Q16 GP Average %
Tier 1	up to $0.244375	2%	98%	$0.244	$0.005	$0.249	2%	
Tier 2	above $0.244375 up to $0.265625	15%	85%	$0.021	$0.004	$0.025	15%	
Tier 3	above $0.265625 up to $0.31875	25%	75%	$0.053	$0.018	$0.071	25%	
Tier 4	above $0.31875	50%	50%	$0.186	$0.186	$0.373	50%	
Total				**$0.505**	**$0.213**	**$0.718**		**30%**

Source: Mizuho Securities USA, Inc., company filings

Figure 48: Mizuho Coverage Universe GP Split



Source: Mizuho Securities USA, Inc., company filings

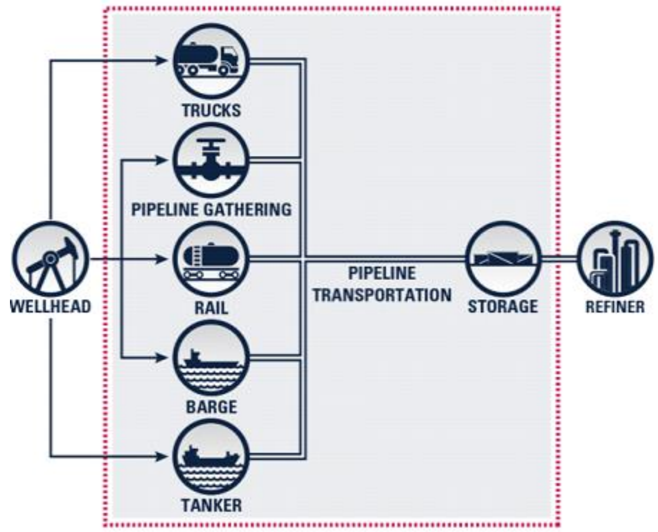
Midstream Value Chain

Midstream energy companies provide services to both energy producers and end users through a vast network of crude oil, petroleum product, natural gas and natural gas liquids pipelines, storage facilities, barges, docks, processing and other infrastructure assets (trucks, rail). U.S. liquids (crude, refined products, NGL) and natural gas pipelines span more than 200,000 and 300,000 miles, respectively (transmission, not gathering or distribution pipes). Pre-shale revolution, US midstream infrastructure was designed for imports (oil pipes flowing south-to-north, gas pipes south-to-north and west-to-east). Post-shale revolution US energy infrastructure has been replumbed (building new pipes, repurposing existing pipes) to accommodate new sources of supply (Bakken, Eagle Ford, Marcellus, Utica), growth in existing basins (Permian), changing product flows (oil pipes north-to-south, gas pipes north-to-south, east-to-west) and exports (more docks and storage, LNG liquefaction). We view the midstream value chain as three subsectors, crude oil/refined products, natural gas and natural gas liquids.

Crude oil and refined products infrastructure

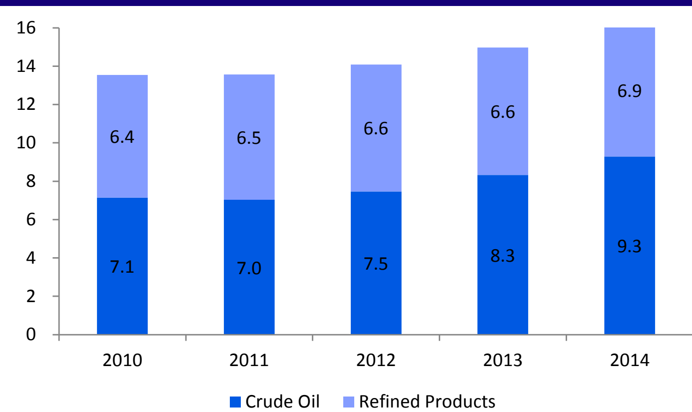
Crude oil infrastructure connects domestic producers and imported barrels to refiners. Significant crude infrastructure – gathering pipelines, long-haul pipelines, trucks, tankers, rail, storage terminals- are required to bring different crude grades to various refining markets.

Figure 49: Crude oil infrastructure connects producers and refiners



Source: Plains All American Pipeline

Figure 50: US Crude Oil & Refined Products Pipeline Volumes (billion barrels)



Source: Association of Oil Pipe Lines

While US crude imports have dropped significantly since 2011 due to rising domestic production, infrastructure assets are critical to balance the crude supply-demand both nationally and regionally. In 2015, US refineries needed 6.8 mm b/d of imports (16.2 mm b/d refinery demand less 9.4 mm b/d domestic production). Four of the five regions (also called petroleum administration defense districts or PADDs) were short crude, Gulf Coast (2.9), Midwest (1.7), West Coast (1.3), East Coast (1.1 mm b/d), while the small Rockies market had 0.2 mm b/d of excess crude supply.

Figure 51: National & Regional Crude Oil Supply-Demand Imbalances (mm b/d, 2015)

Region	Regional Supply	Refinery Demand	Deficit
PADD I (East Coast)	0.0	1.1	(1.1)
PADD II (Midwest)	1.9	3.6	(1.7)
PADD III (Gulf Coast)	5.7	8.5	(2.9)
PADD IV (Rockies)	0.8	0.6	0.2
PADD V (West Coast)	1.1	2.4	(1.3)
Total	**9.4**	**16.2**	**(6.8)**

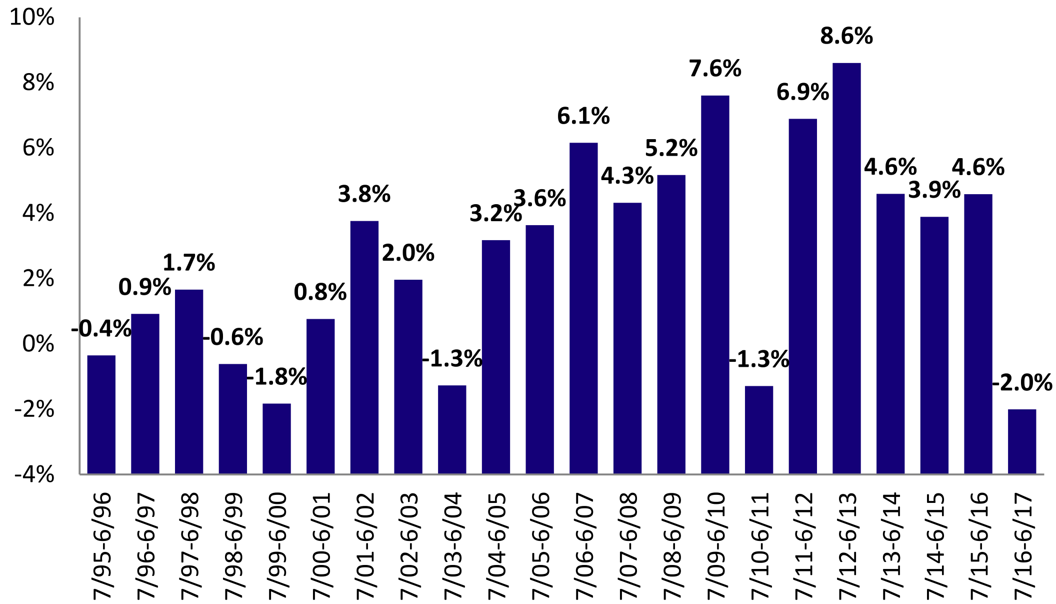
Source: Mizuho Securities USA, Inc., company reports.

After crude is transported to a refinery, separate pipeline and storage assets are required to transport gasoline, diesel, jet fuel and other petroleum products to their respective end markets (such as gasoline stations, truck stops, airports). Crude/refined product storage assets play important roles in distributing products to end markets and balancing supply-demand (acting as shock absorber building inventories when market oversupplied, drawing inventories when market short). Storage assets typically earn fees based on fixed monthly (lease) or volumetric (per barrel) revenues plus ancillary charges (such as crude blending, ethanol blending).

Crude and product pipelines typically generate revenues on a price x volume formula. Pipe transport prices (tariffs) are regulated at the federal or state level. Federal Energy Regulatory Commission (FERC) regulates interstate pipeline tariffs while state agencies regulate intrastate tariffs (such as Texas Railroad Commission). FERC-regulated liquids pipelines have an annual tariff index calculated as Producer Price Index for Finished Goods plus 1.23% (formula lasts 7/1/16 To 6/30/21, previous index level PPI+2.65%). Due to negative PPI, the current FERC index is -2% to 6/30/17 (first negative index level since 2010-11) and will reset on 7/1/17. Worth noting that some pipelines are able to charge market-based rate if deemed to operate in competitive markets.

Some pipelines have contracted minimum volume commitments for a period of time, which mitigates volume exposure but has counterparty risk. While crude and product pipelines do not have direct commodity exposure, they do have indirect exposure. All else equal, low crude oil prices are negative for crude oil pipelines in high-cost producing basins. While low crude oil prices are positive for refined product pipelines due to higher demand for gasoline.

Figure 52: FERC Annual Liquids Pipeline Index Negative for First Time Since 2010



Source: Federal Energy Regulatory Commission

Natural Gas Infrastructure

Natural gas infrastructure connects domestic producers and (to a lesser degree) imports to various end users (power generation, local distribution companies, industrial, commercial, exports). Midstream natural gas services comprise gathering, compression, treating, transportation and storage services. Gas needs to be processed to remove natural liquids and impurities to meet pipeline quality gas (primarily methane). As such gas (pipelines) and NGL infrastructure (processing plants) are integrated.

Gas is distributed by inter and intrastate pipelines to large commercial, industrial and power generation customers. In addition, pipes transport gas to local distribution companies (LDCs), which are regulated utilities that deliver gas via distribution pipes to consumers. Due to seasonality of natural gas demand, storage plays a critical role in balancing the market during injection (April-October) and withdrawal seasons (November-March).

Among the 3 subsectors, natural gas has the most transparent data on pipeline shippers, contract terms and tariffs. In addition, the US natural gas pipeline network has the most connectivity in the lower 48 (especially reaching East and West Coasts) relative to oil and NGL systems. Interstate gas pipelines have low commodity price exposure as most capacity is under long-term contracts. The main risks are counterparty and contract renewals.

Liquefied natural gas (LNG) is super-chilled gas cooled to -260°F for shipping. LNG is compact, about 600 times smaller volume than in gaseous form. LNG terminals liquefy gas and ship abroad. At LNG import terminals, gas is returned to gaseous state and transported to end users.

Natural Gas Liquids Infrastructure

Natural gas liquids are a mix of 5 products - ethane, propane, butane, isobutane and natural gasoline. NGLs are by-products of oil and gas production. The NGL mix is separated from natural gas at a processing plant and then transported by pipeline to a fractionator for separation into the purity products, which have different end markets. Worth noting refineries also produce propane and butane. U.S. NGL hubs are Mont Belvieu, Texas and Conway, Kansas. A brief description of each NGL follows.

Ethane – (C2) comprises largest volume percentage of NGL barrel at approximately 42%. Ethane's primary use is a feedstock for ethylene production (building block for plastics) in the petchem industry, both domestically and abroad. Another use is to keep ethane in the natural gas stream (also called ethane rejection), rather than extract during gas processing.

Propane (C3) – second largest component of NGL barrel at approximately 28%. Propane uses include residential and commercial heating, petrochemical feedstock, crop drying.

Butane (C4) – comprises approximately 7% of NGL barrel. Uses include gasoline blending, petrochemical feedstock, isomerization.

Isobutane (C4) – comprises approximately 9% of NGL barrel. Uses include gasoline blending and other octane enhancement purposes.

Natural gasoline (C5+) - comprises approximately 14% of NGL barrels. Uses include gasoline blending, (diluent) diluting heavy crude oil for pipe transportation, petrochemical feedstock.

Direct commodity exposure is highest in the gas gathering and processing subsector (relative to crude/refined products and natural gas pipelines), though varies on contract structure. In a fee-based contract, the gas processor receives a fixed volumetric fee, no direct commodity price exposure. In a percent of proceeds contract, the gas processor receives a percentage of NGLs extracted and residue gas sold at market prices. In a percent of liquids contract, the gas processor receives a percentage of NGLs extracted and sold at market price. In a keep-whole contract, the gas processor owns the NGLs extracted from gas stream and owes the producer BTU content gas lost during processing (shrinkage).

Exports play an important role in balancing the US NGL market. Currently propane comprises the largest piece of NGL exports at roughly 600 mb/d, natural gasoline 200 mb/d, ethane approximately 100 mb/d (but has most growth potential over next few years) and butane approximately 80 mb/d. Similar to oil and gas, storage plays a critical role in NGL infrastructure.

MLP Coverage Universe

Figure 53: Mizuho MLP Coverage Universe Stock Ratings and Price Targets

Ticker	Distribution Yield	Growth Rate	Price Target	Upside to Price Target	Stock Rating
VLP	3.3%	22.6%	$57	28%	Buy
DM	3.9%	22.1%	$30	25%	Buy
ETE	6.8%	7.1%	$20	20%	Buy
TLLP	6.9%	8.7%	$58	19%	Buy
ETP	11.1%	0.5%	$45	18%	Buy
SHLX	3.2%	24.1%	$37	17%	Buy
EPD	5.8%	5.2%	$32	16%	Buy
EEP	9.2%	1.9%	$29	15%	Buy
PSXP	4.2%	18.9%	$55	14%	Buy
SXL	7.1%	7.2%	$30	7%	Neutral
BPL	6.8%	4.5%	$76	6%	Neutral
MPLX	6.2%	9.2%	$35	6%	Neutral
SUN	11.1%	0.6%	$31	4%	Neutral
MMP	4.6%	7.2%	$73	3%	Neutral
NS	9.0%	0.4%	$50	2%	Neutral
NSH	8.3%	0.4%	$26	-1%	Neutral

Source: Mizuho Securities USA, Inc.

Buckeye Partners (BPL): Initiate Coverage with a Neutral Rating and $76 Price Target

Investment Thesis

We are initiating coverage of BPL with a Neutral rating and $76 price target, based on the average of our $77 discounted cash flow model (9% discount rate) and $75 EV/Adjusted EBITDA valuation (14x multiple in 2017) methodologies. BPL is a stable, investment grade crude oil and refined products pipeline and storage focused MLP with mid-single digit distribution and a low cost of capital. Stability is supported by largely fee-based cash flows generated by transportation and storage assets. The Partnership has become more diversified in terms of cash flow, product and geographic mix largely through acquisitions, largely through acquisition of 80 mm barrels of liquids storage capacity in the New York Harbor, Caribbean and Gulf Coast. Our neutral rating is based on the favorable attributes are somewhat priced into the stock.

Company Description

BPL is a mid-cap midstream crude oil and refined products pipeline and storage MLP headquartered in Houston, Texas. The Partnership has been a publicly traded MLP since 1986. BPL's asset base is comprised of ~6,000 miles of product pipelines serving approximately 110 delivery locations, and a terminal network of more than 120 petroleum products terminals with over 110 mm barrels capacity across pipelines, inland and marine terminals located primarily in the East Coast, Gulf Coast regions of the United States and in the Caribbean. The Partnership's cash flow mix (LTM) is 56% Domestic Pipelines & Terminals, 40% Global Marine Terminals and 4% Merchant Services.

Valuation

BPL trades in line with our MLP coverage universe. On EV/Adjusted EBITDA 2017e basis, 13.3x vs. 13.4x our universe. On P/DCF 2017e basis, 12.8x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 4.5% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.09x vs. 1.16x universe.

Management

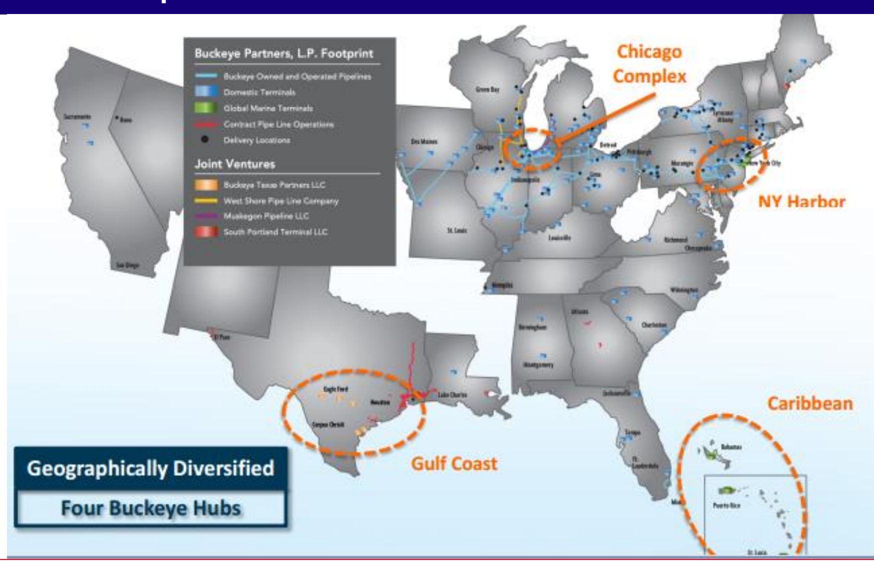
Clark Smith, Chairman & CEO

Smith has been the Chairman, President and CEO of Buckeye GP since 2014. He had also served in various executive positions at Buckeye GP since 2007. Previously, Smith served as Managing Director of Engage Investments, L.P. and EVP of El Paso Corporation.

Keith St. Clair, CFO

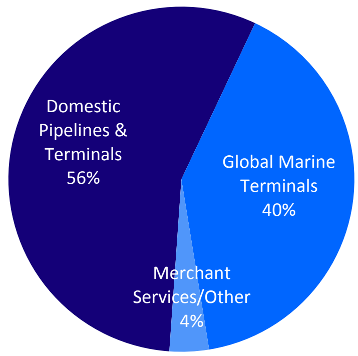
Clair was named EVP and CFO of Buckeye GP in 2012. He previously served as SVP and CFO of Buckeye GP from 2008 to 2012.

Figure 54: BPL Asset Map



Source: Company reports

Figure 55: BPL Cash Flow Mix (LTM)

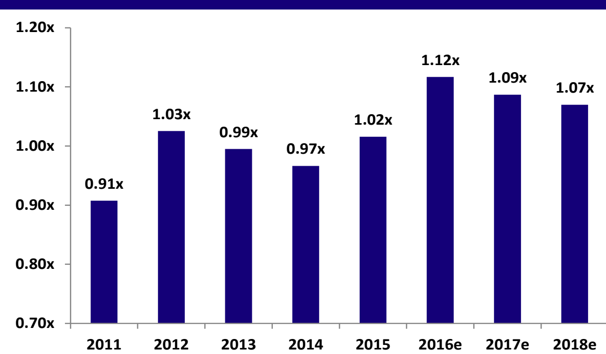


Source: Company reports

Figure 56: BPL Cash Distribution per unit

Source: Mizuho Securities USA, Inc, company reports.

Figure 57: BPL Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 58: Top 10 BPL Unitholders

BPL	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	10.7%	14.0	986
Bicknell Family Holding Co. LLC	8.3%	10.9	766
DST Systems, Inc.	6.2%	8.1	570
Harvest Fund Advisors LLC	5.3%	6.9	487
The Goldman Sachs Group, Inc.	4.4%	5.8	408
Kayne Anderson Investment Management, Inc.	3.9%	5.1	356
Legg Mason, Inc.	3.0%	4.0	281
Piper Jaffray Cos.	2.2%	2.9	207
Bank of America Corp.	2.1%	2.8	196
Center Coast Capital Holdings LLC	2.0%	2.6	185
Total	**48.1%**	**63.1**	**4,444**

Source: FactSet

Figure 59: BPL Summary Model

($ in mm units, unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	648.8	763.6	868.1	1007.2	1037.6	1080.0	1130.5	1187.6	6.5%
Interest expense	(122.5)	(156.7)	(154.5)	(176.6)	(185.6)	(191.3)	(196.7)	(204.9)	5.8%
Income tax expense	(0.7)	(0.7)	(1.5)	(0.9)	(1.2)	(1.2)	(1.3)	(1.4)	-1.6%
Maintenance capital	(71.5)	(79.4)	(99.6)	(114.6)	(118.1)	(124.0)	(129.0)	(134.1)	6.1%
Distributable cash flow	454.1	526.8	612.4	715.1	732.7	763.4	803.5	847.1	6.7%
Distributable cash flow per limited partner unit	$4.24	$4.41	$4.78	$5.47	$5.52	$5.69	$5.92	$6.16	5.2%
Cash distribution per limited partner unit (declared)	$4.28	$4.48	$4.68	$4.88	$5.08	$5.32	$5.56	$5.80	4.4%
Distributions declared	456.5	545.1	602.9	640.4	674.3	713.6	754.3	797.7	5.8%
Distribution coverage ratio	0.91x	0.97x	1.02x	1.12x	1.09x	1.07x	1.07x	1.06x	
Debt/EBITDA (LTM)	5.4x	4.7x	4.4x	4.0x	3.9x	3.9x	3.8x	3.8x	
Capital expenditures	361.4	472.1	594.5	427.3	368.1	414.0	449.0	504.1	
Acquisitions	856.4	824.7	8.1	0.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	17%	18%	14%	16%	3%	4%	5%	5%	
Distributable cash flow YoY growth	18%	16%	16%	17%	2%	4%	5%	5%	
Distributable cash flow per unit YoY growth	7%	4%	8%	14%	1%	3%	4%	4%	
Cash distribution per unit YoY growth	3%	5%	4%	4%	4%	5%	5%	4%	

Source: Mizuho Securities USA, Inc, company reports.

Dominion Midstream Partners (DM): Initiate Coverage with a Buy Rating and $30 Price Target

Investment Thesis

We are initiating coverage of DM with a Buy rating and $30 price target, based on the average of our $33 discounted cash flow model (9% discount rate) and $27 EV/Adjusted EBITDA (17x multiple in 2017) valuation methodologies. DM is a stable, high-growth natural gas infrastructure MLP with a strong parent. We expect DM to post 22% distribution CAGR to 2020, among the highest in the MLP sector. The Partnership has strong growth visibility with an approximate $2.5 billion EBITDA dropdown inventory, which is 23x DM 2Q16 run rate, from investment grade parent Dominion Resources. Even post-2020, $1.77bn EBITDA drop-down inventory will remain at the parent, providing further growth visibility. DM's premium valuation is warranted due to its above-average growth rate, visibility, stability and exposure to demand-pull natural gas infrastructure assets. In addition, DM has a low cost of capital to finance its dropdown strategy.

Company Description

DM is a small-cap midstream natural gas pipeline and storage MLP, headquartered in Richmond, VA. The Partnership has been a publicly traded MLP since 2014. DM owns Dominion Carolina Gas Transmission (DCG), an interstate gas pipeline in South Carolina and southeastern Georgia, preferred equity interest in the ~1.8mm Dths/d Cove Point LNG import facility in Maryland and a 25.9% interest in Iroquois Transmission, a 416-mile gas pipeline extending from the Canada-US border through New York and Connecticut to Long Island and the Bronx, NY. The Partnership's cash flow mix is 43% Cove Point, 40% DCG and 17% Iroquois. Dropdown inventory include pipelines and MLP eligible assets from the recently completed Questar acquisition by D, equity interest in the Cove Point LNG export facilities built on the existing Cove Point site, Atlantic Coast Pipeline, Blue Racer gathering & processing JV in Marcellus/Utica and Dominion Gas assets.

Valuation

DM trades at a premium to our MLP coverage universe due to its above-average growth rate and visible growth prospects from dropdowns from investment grade parent Dominion Resources. On EV/Adjusted EBITDA 2017e basis, trades at 16x vs. 13.4x our universe. On P/DCF 2017e basis, 15.5x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 22.1% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.20x vs. 1.16x universe.

Management

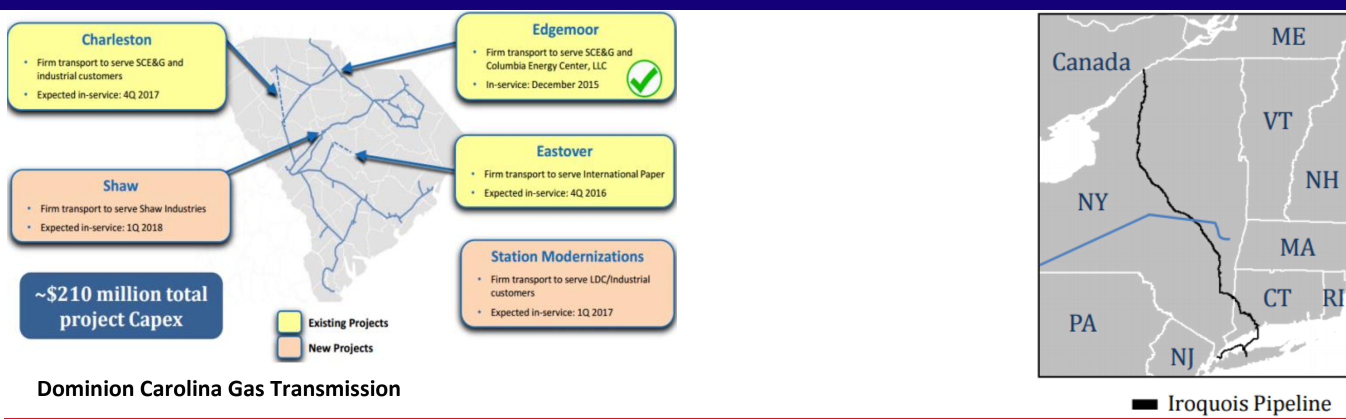
Thomas Farrell, Chairman & CEO

Farrel is the Chairman of the Board, CEO and President of DM GP. He has also served as the Chairman of the Board, President and CEO of D since April 2007. Farrel gained extensive industry experience and legal expertise as General Counsel for Dominion and as a practicing attorney with a private firm.

Mark McGettrick, CFO

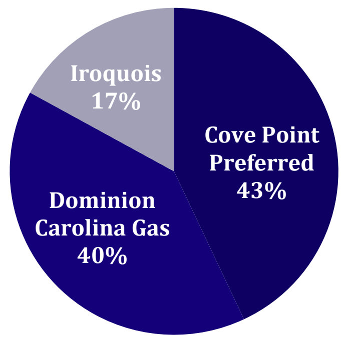
McGettrick is a director, EVP and CFO of DM GP. He has also served as EVP and CFO of Dominion and Virginia Power since June 2009. McGettrick has more than 35 years of utility management and industry experience.

Figure 60: DM Asset Map



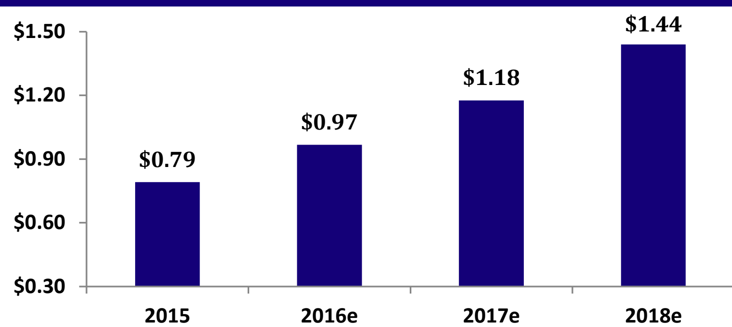
Source: Company reports

Figure 61: DM Cash Flow Mix post Iroquois Acquisition



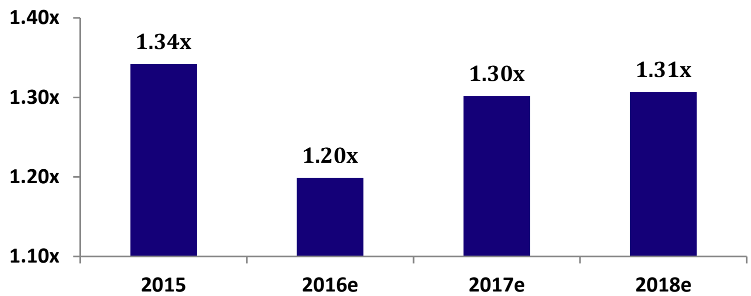
Source: Company reports

Figure 62: DM Cash Distribution per unit



Source: Mizuho Securities USA, Inc., company reports.

Figure 63: DM Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc., company reports.

Figure 64: Top 10 DM Unitholders

DM	% of Unit Outstanding	Million shares	Market Value, $mm
Bicknell Family Holding Co. LLC	6.3%	2.9	69
Kayne Anderson Investment Management, Inc.	3.7%	1.7	40
The Goldman Sachs Group, Inc.	3.0%	1.4	33
Center Coast Capital Holdings LLC	1.8%	0.8	19
Swank Capital LLC	1.7%	0.8	19
Chickasaw Capital Management LLC	1.5%	0.7	17
BlackRock, Inc.	1.5%	0.7	17
Harvest Fund Advisors LLC	1.4%	0.6	15
Salient Holdings GP LLC	1.3%	0.6	14
Prudential Financial, Inc.	1.3%	0.6	14
Total	**23.4%**	**10.7**	**257**

Source: FactSet

Figure 65: DM Summary Model

(units in million $ unless otherwise noted)	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	9.5	75.6	107.7	213.1	387.1	606.5	845.8	62.1%
Interest expense	0.0	(1.4)	(1.9)	(19.7)	(55.6)	(99.3)	(147.6)	153.9%
Income tax expense	51.8	2.1	0.0	0.0	0.0	0.0	0.0	
Maintenance capital	(4.5)	(9.4)	(12.4)	(24.8)	(40.9)	(62.9)	(86.8)	56.0%
Distributable cash flow	9.6	75.7	94.1	168.6	290.6	444.3	611.4	51.9%
Distributable cash flow per limited partner unit	$0.15	$1.07	$1.17	$1.59	$2.02	$2.37	$2.52	18.7%
Cash distribution per limited partner unit (declared)	$0.14	$0.79	$0.97	$1.18	$1.44	$1.76	$2.13	21.9%
Distributions declared	8.9	56.4	78.5	129.5	222.4	359.3	546.9	57.5%
Distribution coverage ratio	1.1x	1.3x	1.2x	1.3x	1.3x	1.2x	1.1x	
Debt/EBITDA (LTM)	0.0x	1.1x	1.1x	3.2x	3.9x	4.0x	3.9x	
Capital expenditures	572.2	1282.1	1223.2	1556.9	1740.9	2042.9	2246.8	
Acquisitions								
Adjusted EBITDA YoY growth			42%	98%	82%	57%	39%	
Distributable cash flow YoY growth			24%	79%	72%	53%	38%	
Distributable cash flow per unit YoY growth			9%	36%	27%	17%	7%	
Cash distribution per unit YoY growth			22%	22%	22%	22%	21%	

Source: Mizuho Securities USA, Inc, company reports.

Enbridge Energy Partners (EEP): Initiate Coverage with a Buy Rating and $29 Price Target

Investment Thesis

We are initiating coverage of EEP with a Buy rating and $29 price target, based on the average of our $31 discounted cash flow model (9.25% discount rate) and $27 EV/EBITDA (13x multiple in 2017) valuation methodologies. EEP is a stable, investment grade crude oil focused pipeline MLP with a healthy yield, attractive valuation and potential catalysts from a growing parent. Cash flow supported by largely fee-based oil transportation cash flows with exposure to key supply (Western Canada, Bakken) and demand (Midwest) regions. While the smaller gas gathering and processing business has been underperforming, EEP is evaluating strategic options for the business. EEP offers an attractive yield of 9.2% and discounted valuation. We believe parent Enbridge Inc's pending merger with Spectra Energy is a positive for EEP, by improving the parent's credit profile, scale and potentially providing more growth opportunities for EEP, which currently has a below-average growth rate.

Company Description

EEP is a large-cap midstream crude oil pipeline and storage focused MLP headquartered in Houston, TX. The Partnership has been a publicly traded MLP since 1991. EEP's asset base is comprised of the Lakehead system (the US portion of a large crude pipeline system extending from western Canada through the US Great Lakes region to eastern Canada), the Ozark pipeline delivering crude from Cushing to the WRB refinery in Wood River, Illinois and the North Dakota crude gathering and interstate transportation system serving the Williston Basin. EEP transports more than 3 mmb/d on its pipeline system. EEP also owns a gas gathering and processing business in Anadarko, East Texas and Fort Worth basins. The Partnership's cash flow mix (LTM) is 91% Liquids and 9% Natural Gas.

Valuation

EEP trades at a discount to our MLP coverage universe due to below-average distribution growth and coverage. On EV/Adjusted EBITDA 2017e basis, trades at 11.9x vs. 13.4x our universe. On P/DCF 2017e basis, 10.9x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 1.9% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 0.99x vs. 1.16x universe.

Management

Jeffrey Connelly, Chairman

Connelly has been Chairman of the Board since July 2012 and a director of EEP's GP since January 2003. Previously, Connelly served as Chairman of the Audit, Finance & Risk Committee of the GP. Connelly brings significant financial experience having previously served as Treasurer with Coastal Corporation, a former Fortune energy 500 Company.

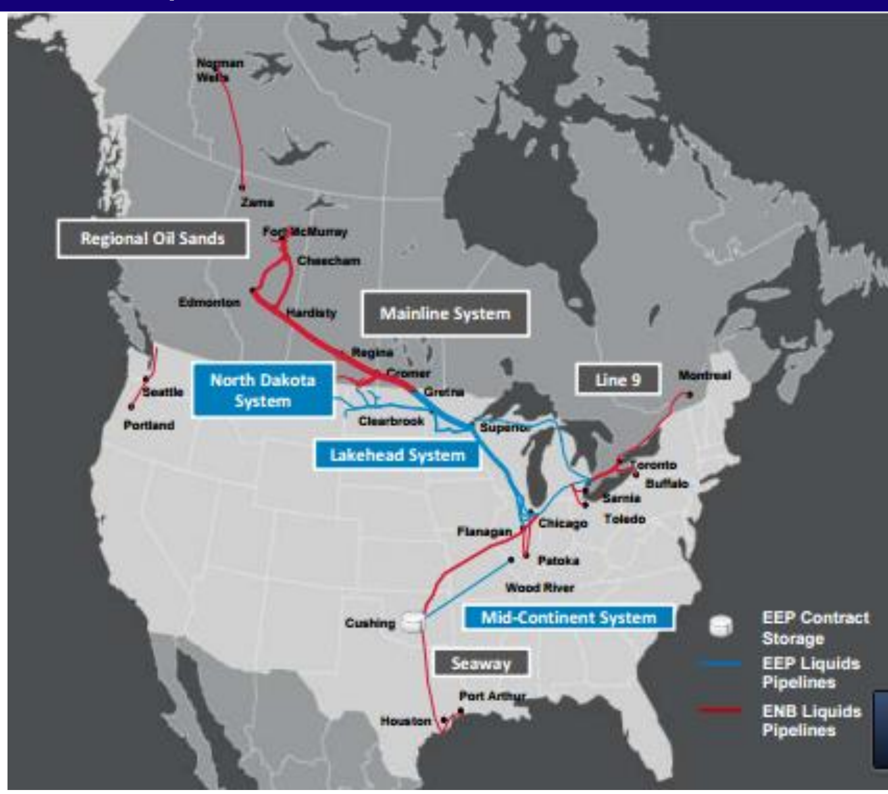
Mark Maki, President & Principle Executive Officer

Maki has been President and Principal Executive Officer of EEP's GP since 2014. Maki is also SVP of Midcoast Holdings and served as Principal Executive Officer until 2014. Previously, he was President of Enbridge Management and SVP of EEP's GP from 2010 to 2014. Maki joined Enbridge in 1986 and had held senior finance roles with Enbridge companies since 1999.

Stephen Neyland, VP Finance

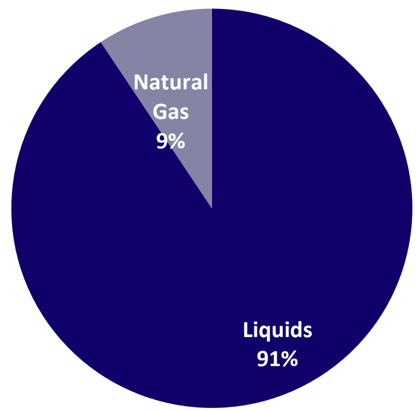
Neyland has been VP Finance of EEP's GP since 2010 and VP Finance of Midcoast Holdings since 2013. Neyland was previously Controller of the GP from 2006 and had held various financial management roles since 2001. Prior to that time, Neyland was Controller of Koch Midstream Services from 1999 to 2001.

Figure 66: EEP Asset Map



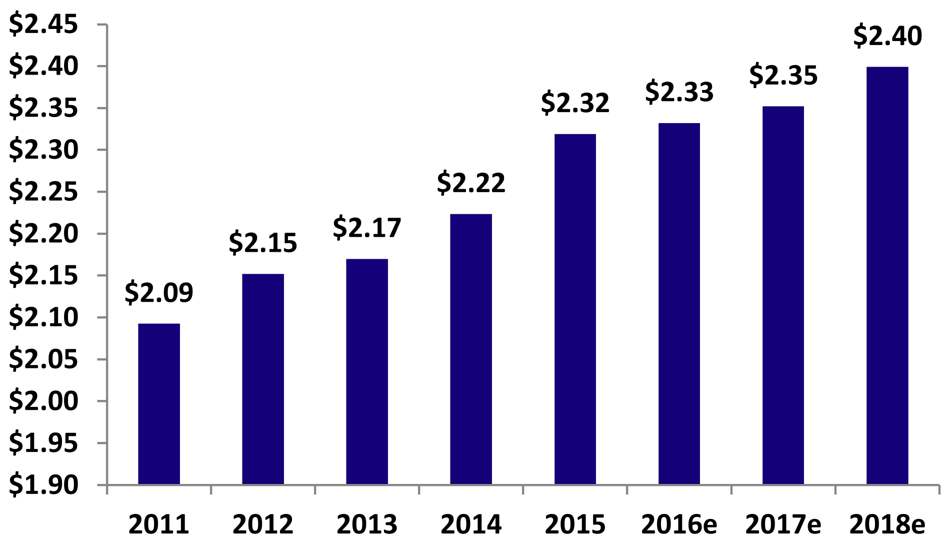
Source: Company reports

Figure 67: EEP Cash Flow Mix (LTM)



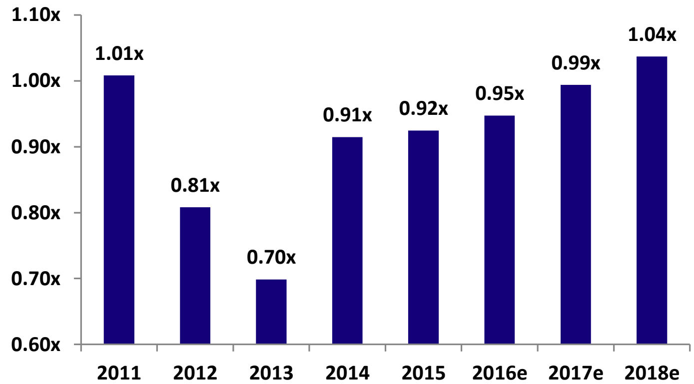
Source: Company reports

Figure 68: EEP Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 69: EEP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 70: Top 10 EEP Unitholders

EEP	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	9.5%	24.8	608
DST Systems, Inc.	5.1%	13.4	328
Legg Mason, Inc.	4.6%	12.1	298
Deutsche Bank AG	4.5%	11.8	289
Harvest Fund Advisors LLC	3.7%	9.6	235
Energy Income Partners LLC	2.8%	7.4	182
Piper Jaffray Cos.	2.5%	6.5	158
Bicknell Family Holding Co. LLC	2.4%	6.4	156
Canadian Imperial Bank of Commerce	2.3%	6.0	148
Morgan Stanley	1.7%	4.4	107
Total	**39.0%**	**102.3**	**2,508**

Source: FactSet

Figure 71: EEP Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	1143.4	1551.0	1766.0	1949.3	2074.5	2245.2	2530.6	2784.3	9.5%
Interest expense	320.4	403.2	322.0	437.4	462.4	485.4	475.0	499.6	9.2%
Income tax expense	18.7	9.6	4.9	8.3	7.1	7.9	9.1	10.2	15.7%
Maintenance capital	(132.6)	(108.7)	(73.8)	(64.7)	(93.4)	(105.5)	(121.5)	(139.2)	13.5%
Distributable cash flow	586.7	809.3	948.6	995.5	1058.4	1188.4	1442.4	1647.9	11.7%
Distributable cash flow per limited partner unit	$1.52	$2.01	$2.20	$2.21	$2.26	$2.41	$2.57	$2.60	3.4%
Cash distribution per limited partner unit (declared)	$2.17	$2.22	$2.32	$2.33	$2.35	$2.40	$2.47	$2.55	1.9%
Distributions declared	839.7	884.9	1026.1	1050.9	1065.2	1146.1	1391.2	1617.8	
Distribution coverage ratio	0.70x	0.91x	0.92x	0.95x	0.99x	1.04x	1.04x	1.02x	
Debt/EBITDA (LTM)	4.1x	4.1x	4.5x	4.3x	4.1x	4.0x	3.6x	3.4x	
Capital expenditures	2409.9	2933.6	2116.8	946.1	543.4	755.5	521.5	589.2	
Acquisitions	0.9	0.2	85.0	0.0	600.0	900.0	500.0	600.0	
Adjusted EBITDA YoY growth	0%	36%	14%	10%	6%	8%	13%	10%	
Distributable cash flow YoY growth	0%	38%	17%	5%	6%	12%	21%	14%	
Distributable cash flow per unit YoY growth	-16%	32%	9%	0%	2%	7%	6%	1%	
Cash distribution per unit YoY growth	1%	2%	4%	1%	1%	2%	3%	3%	

Source: Mizuho Securities USA, Inc, company reports.

Enterprise Products Partners (EPD): Initiate Coverage with a Buy Rating and $32 Price Target

Investment Thesis

We are initiating coverage of EPD with a Buy rating and $32 price target, based on the average of our $35 discounted cash flow model (8.75% discount rate) and $29 EV/Adjusted EBITDA (14.75x multiple in 2017) valuation methodologies. EPD is a diversified, investment grade, midstream MLP with above-average cash flow stability, competitive, consistent growth rate, high distribution coverage and exposure to themes of demand-pull infrastructure and exports. High cash flow stability is supported by largely fee-based cash flows generated from a strategically located integrated midstream asset base serving both energy producers and domestic/international consumers. Stability also evidenced by BBB+ credit rating, which is the highest in the MLP sector. We expect EPD to post 5% distribution growth with healthy 1.3x distribution coverage over the next 3 years, quite competitive for a large cap MLP. Growth visibility supported by $10 billion of organic projects (36% NGL, 31% petchem, 33% crude) entering serving 2015-18 and a low cost of capital with no general partner IDRs. With a $57 billion market cap, EPD is the largest and most liquid MLP. For the above reasons, we believe EPD deserves its premium valuation and offers an attractive risk-adjusted value proposition.

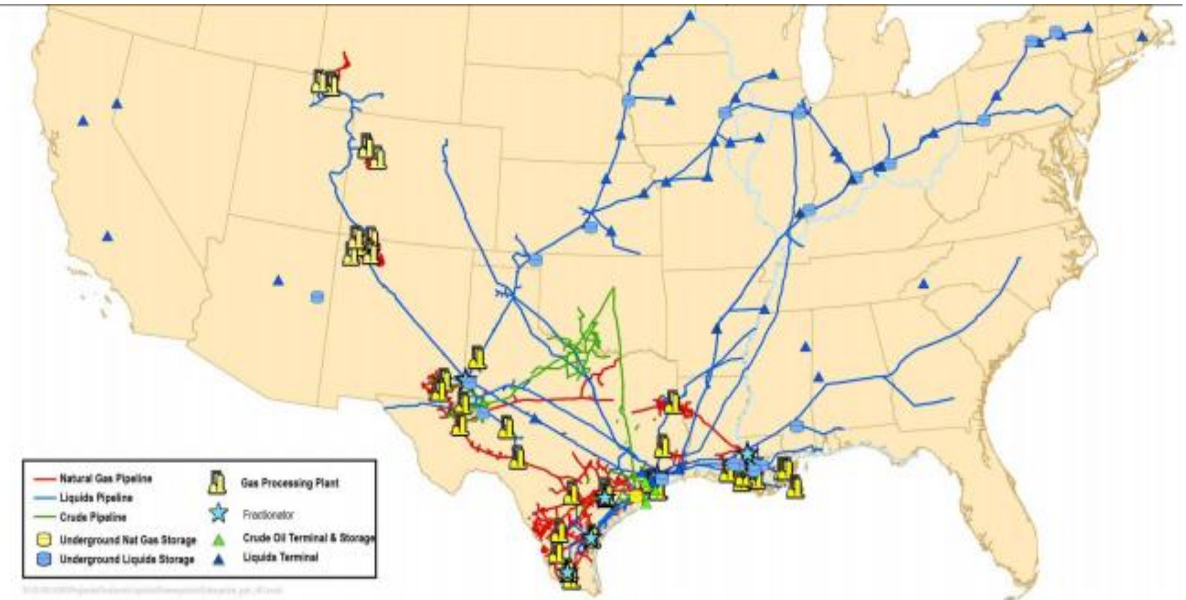
Company Description

EPD is a large cap, diversified pipeline and storage MLP headquartered in Houston, TX. The Partnership has been a publicly traded MLP since 1998. EPD's asset base is comprised of approximately 49,000 miles of crude oil, natural gas, NGL, refined products and petrochemicals pipelines. EPD has 250 mm barrels of NGL, petrochemical, refined products and crude oil storage capacity and 14 Bcf of natural gas storage capacity. Processing assets include 26 natural gas processing plants, 22 fractionators and 10 condensate distillation facilities. Export facilities are comprised of LPG, ethane, crude oil, refined products and polymer grade propylene terminals and docks. EPD's cash flow mix (LTM) is 56% NGL pipelines, 17% Crude Oil Pipelines, 14% Natural Gas Pipelines and 13% Petrochemicals and Refined Products.

Valuation

EPD trades at a slight premium to our MLP coverage universe due to above-average stability and distribution coverage. On EV/Adjusted EBITDA 2017e basis, trades at 14.2x vs. 13.5x our universe. On P/DCF 2017e basis, 13.1x vs. 13x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 5.2% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.24x vs. 1.16x universe.

Figure 72: EPD Asset Map



Source: Company reports

Management

Randa Duncan Williams, Chairman

Williams has been Chairman of the Board of Enterprise GP since 2013 and a director of Enterprise GP since 2010. She was elected Chairman of EPCO in May 2010, having previously served as Group Co-Chairman since 1994. Prior to joining EPCO, Williams practiced law.

James Teague, CEO

Teague has been CEO of Enterprise GP since January 2016. He previously served as COO of Enterprise GP and in other executive roles. Teague joined Enterprise from Shell Oil Company in 1999 where he was President of Tejas Natural Gas Liquids.

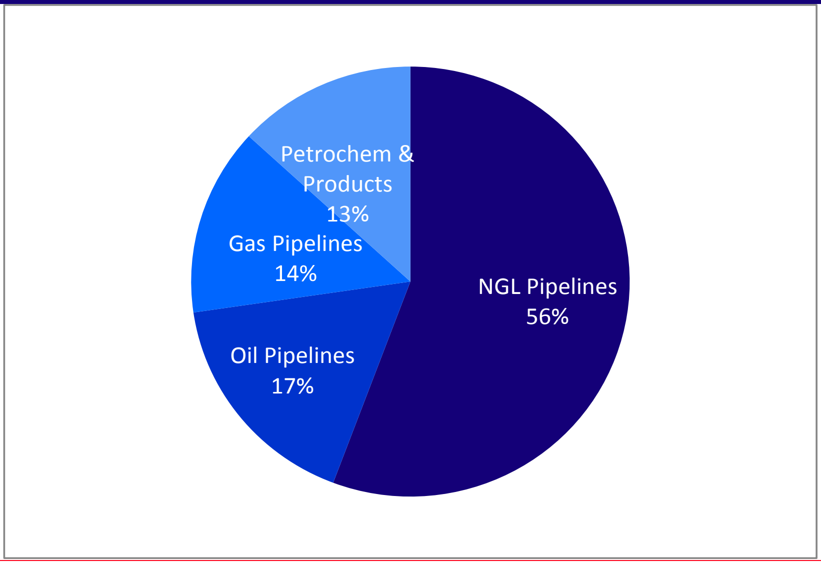
Randall Fowler, President

Fowler has served as the President since January 2016, having previously served as CAO of Enterprise GP from April 2015 to December 2015. He served as CFO of Enterprise GP from 2007 to 2015 and CFO of EPGP from 2007 to 2010. Fowler worked in various financial executive positions at Enterprise.

Bryan Bulawa, CFO

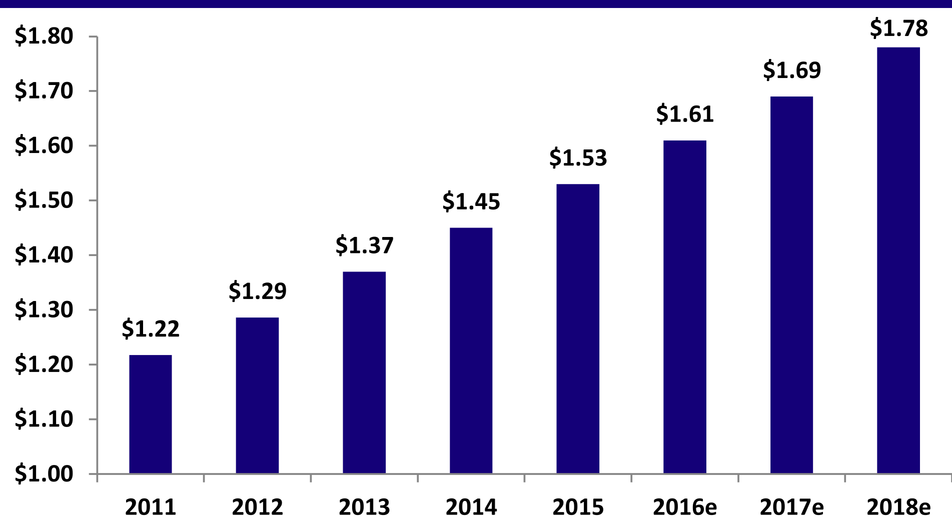
Bulawa has been a Senior Vice President and CFO of Enterprise GP since 2015. Prior to CFO, Bulawa served at Treasurer of Enterprise GP from 2009-2015. He worked in various executive positions with Enterprise Product companies, including Chairman of the Board for Oiltanking GP. Prior to Enterprise, Bulawa spent 13 years at Scotia Capital.

Figure 73: EPD Cash Flow Mix (LTM)



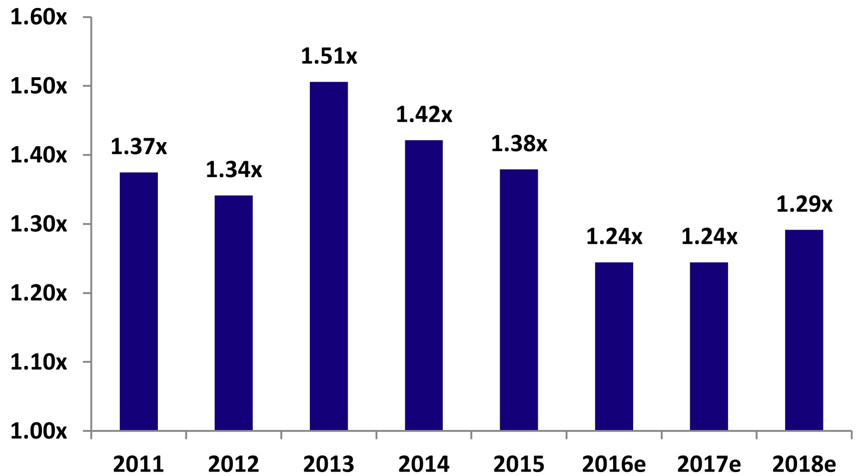
Source: Company reports

Figure 74: EPD Cash Distribution per unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 75: EPD Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 76: Top 10 EPD Unitholders

EPD	% of Unit Outstanding	Million shares	Market Value, $mm
The Goldman Sachs Group, Inc.	2.1%	44.3	1,193
Bicknell Family Holding Co. LLC	1.9%	40.4	1,087
Morgan Stanley	1.8%	38.4	1,034
Harvest Fund Advisors LLC	1.8%	38.1	1,026
Kayne Anderson Investment Management, Inc.	1.6%	34.0	916
Massachusetts Mutual Life Insurance Co.	1.6%	33.5	902
DST Systems, Inc.	1.4%	29.8	802
JPMorgan Chase & Co.	1.1%	22.8	613
NBSH Acquisition LLC	0.9%	18.8	507
The Sarofim Group, Inc.	0.9%	18.6	500
Total	**15.2%**	**318.6**	**8,581**

Source: FactSet

Figure 77: EPD Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Distributable Cash Flow Summary									
Adjusted EBITDA	4,847	5,291	5,267	5,394	5,833	6,313	6,702	7,078	6.1%
Interest expense	(803)	(921)	(962)	(987)	(1,079)	(1,084)	(1,121)	(1,169)	4.0%
Maintenance capital expenditures	(292)	(369)	(273)	(273)	(284)	(309)	(335)	(364)	5.9%
Distributable cash flow (excluding nonrecurring items)	3,801	3,906	3,999	4,156	4,470	4,920	5,246	5,545	6.8%
Distributable cash flow per unit (excluding nonrecurring items)	$2.06	$2.06	$2.11	$1.99	$2.10	$2.30	$2.44	$2.57	4.0%
Cash distribution per limited partner unit (declared)	$1.37	$1.45	$1.53	$1.61	$1.69	$1.78	$1.88	$1.98	5.2%
Distribution coverage ratio (excluding nonrecurring items)	1.5X	1.4X	1.4X	1.2X	1.2X	1.3X	1.3X	1.3X	
Debt/EBITDA (LTM)	3.4X	3.9X	4.2X	4.3X	4.1X	3.9X	3.7X	3.6X	
Adjusted EBITDA YoY growth	11%	9%	0%	2%	8%	8%	6%	6%	
Distributable cash flow YoY growth	23%	3%	2%	4%	8%	10%	7%	6%	
Distributable cash flow per unit YoY growth	20%	0%	2%	-5%	5%	9%	6%	5%	
Cash distribution per unit YoY growth	7%	6%	6%	5%	5%	5%	5%	5%	

Source: Mizuho Securities USA, Inc, company reports.

Energy Transfer Equity (ETE): Initiate Coverage with a Buy Rating and $20 Price Target

Investment Thesis

We are initiating coverage of ETE with a Buy rating and $20 price target, based on the average of our $21 discounted cash flow model (10.5% discount rate) and $19 EV/Adjusted EBITDA valuation (13x multiple in 2018, discounted 1 year to 2017) methodologies. While the complexity of the Energy Transfer corporate structure and relatively aggressive management style are concerns for some investors, we believe ETE offers an interesting risk-reward value proposition as distributable cash flow is poised to grow following completion of organic projects at underlying MLPs ETP and SXL and boost in general partner distributions from ETP as temporary reductions roll off in 2018 and 2019. As such, we forecast distributable cash flow/unit and cash distribution/unit growth to rise from 1/0% in 2017 to 46%/9% in 2018. With a 7% current yield, ETE investors get paid to wait for distribution growth in 2018.

Company Description

ETE is a large cap general partner of 3 MLPs. The Partnership has been a publicly traded MLP since 2006 and is headquartered in Dallas, TX. The Partnership generates cash flows from 1) general and limited partner distributions from Energy Transfer Partners, a diversified midstream MLP; 2) general and limited partner distributions from Sunoco Logistics Partners, a diversified midstream MLP; 3) general and limited partner cash flows from Sunoco LP, a wholesale and retail fuels distributor; 4) Lakes Charles LNG terminal. ETE's cash flow mix (LTM) is 67% from ETP, 18% from SXL, 11% Lake Charles LNG and 4% from SUN.

Valuation

ETE trades at a discount to our MLP coverage universe due to lower near term growth. . On EV/Adjusted EBITDA 2017e basis, trades at 11.8x vs. 13.5x our universe. On P/DCF 2017e basis, 14.9x vs. 13x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 7.1% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.22x vs. 1.16x universe.

Management

Kelcy Warren, Chairman and CEO

Warren has served as Chairman of the Board of LE GP and the CEO and Chairman of the Board of the GP of ETP since 2007. Warren has more than 25 years of industry experience having served in senior executive positions at Crosstex Energy and Cornerstone Natural Gas.

Thomas Long, CFO

Long has been the Group CFO of ETE since February 2016. He previously served as CFO of ETP after similar roles at Regency GP LLC, Matrix Service Company and DCP Midstream Partners from 2005 to 2015. Long had also served in several executive positions with subsidiaries of Duke Energy Corp from 1998 to 2005.

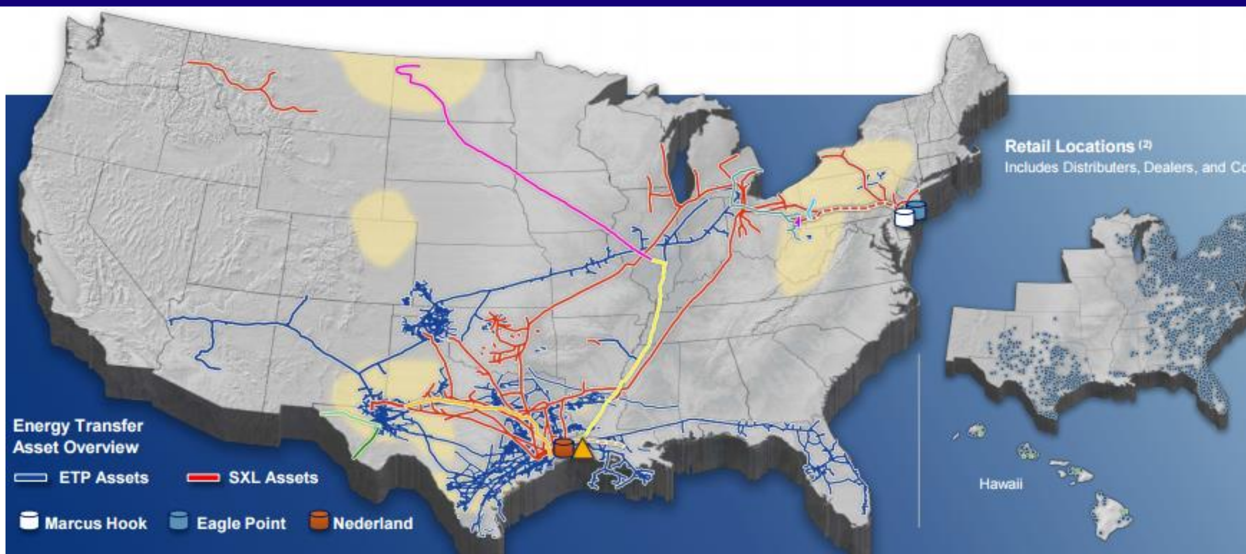
John McReynolds, President

McReynolds is a Director, President and Chief Financial Officer of Energy Transfer Equity. Mr. McReynolds has served as the President of ETE since March 2005 and as a Director and the Chief Financial Officer of ETE since August 2005. Prior to ETE, McReynolds was a partner with the law firm of Hunton & Williams LLP.

Matthew Ramsey, Director

Ramsey has been a director of ETE's GP since 2012, President/COO of ETP's GP since 2015 and Chairman of SUN since 2015. Prior to Energy Transfer, Ramsey served as President of RPM Exploration, President of DDD Energy and in executive roles at OEC Compression Corporation, Nuevo Energy and Torch Energy Advisors.

Figure 78: ETE Asset Map



Asset Summary	ETE
Pipeline (miles)	71,000
Midstream Throughput (MMBtu/d)	10,000,000
NGL Production (bpd)	469,000
Natural Gas Transported (MMBtu/d)	18,320,000(3)

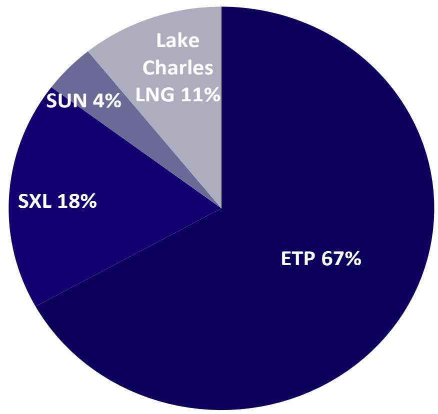
Growth Projects

- Lake Charles LNG
- Dakota Access Pipeline
- Crude Conversion Pipeline
- Comanche Trail Pipeline
- Trans-Pecos Pipeline
- Lone Star Express Pipeline (1)
- Rover Pipeline
- Revolution System
- Bayou Bridge (1)
- Ohio River(1)
- Mariner East Phase 2

(1) All, or a portion of, placed in service in first half of 2016
(2) Represents Sunoco LP retail locations
(3) Includes unconsolidated affiliates volumes

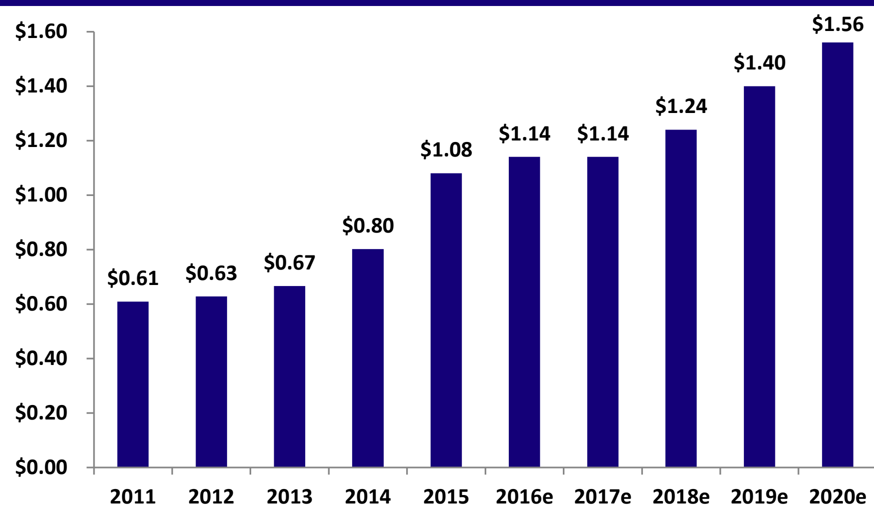
Source: Company reports

Figure 79: ETE Cash Flow Mix (LTM)



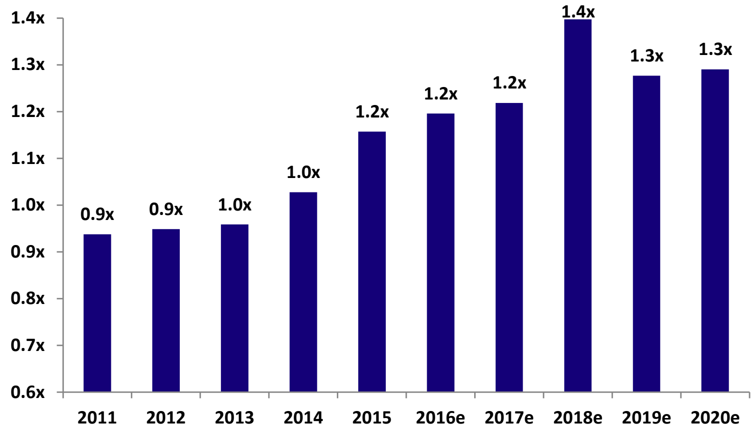
Source: Company reports

Figure 80: ETE Cash Distribution per unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 81: ETE Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 82: Top 10 ETE Unitholders

ETE	% of Unit Outstanding	Million shares	Market Value, $mm
Morgan Stanley	5.0%	52.1	854
Massachusetts Mutual Life Insurance Co.	4.2%	43.6	716
The Goldman Sachs Group, Inc.	4.1%	42.4	696
NBSH Acquisition LLC	3.1%	32.2	528
Harvest Fund Advisors LLC	2.5%	26.1	429
FMR LLC	2.5%	25.8	423
Bicknell Family Holding Co. LLC	2.1%	22.3	366
Chickasaw Capital Management LLC	1.5%	15.7	258
Salient Holdings GP LLC	1.3%	13.9	228
Citigroup, Inc.	1.3%	13.1	215
Total	**27.5%**	**287.2**	**4,713**

Source: FactSet

Figure 83: ETE Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	890	1,084	1,602	1,427	1,483	2,120	2,284	2,551	9.7%
Interest expense	(190)	(197)	(281)	(315)	(307)	(283)	(268)	(281)	0.0%
Income tax expense	(190.0)	(197.0)	(281.0)	(314.8)	(306.6)	(283.2)	(268.3)	(280.6)	0.0%
Maintenance capital									
Distributable cash flow	719.0	894.0	1324.0	1152.4	1176.2	1836.7	2016.1	2269.9	11.4%
Distributable cash flow per limited partner unit	$1.28	$0.82	$1.25	$1.10	$1.12	$1.66	$1.79	$2.01	10.1%
Cash distribution per limited partner unit (declared)	$0.67	$0.80	$1.08	$1.14	$1.14	$1.24	$1.40	$1.56	7.6%
Distributions declared	750.0	870.0	1144.0	963.6	965.2	1314.4	1579.1	1759.5	9.0%
Distribution coverage ratio	0.96x	1.03x	1.16x	1.20x	1.22x	1.40x	1.28x	1.29x	
Debt/EBITDA (LTM)	3.1x	4.3x	4.0x	4.4x	4.2x	2.7x	2.4x	2.0x	
Adjusted EBITDA YoY growth	20%	22%	48%	-11%	4%	43%	8%	12%	
Distributable cash flow YoY growth	8%	24%	48%	-13%	2%	56%	10%	13%	
Distributable cash flow per unit YoY growth	2%	-36%	52%	-12%	2%	48%	8%	13%	
Cash distribution per unit YoY growth	6%	20%	35%	6%	0%	9%	13%	11%	

Source: Mizuho Securities USA, Inc, company reports.

Energy Transfer Partners (ETP): Initiate Coverage with a Buy Rating and $45 Price Target

Investment Thesis

We are initiating coverage of ETP with a Buy rating and $45 price target, based on the average of our $49 discounted cash flow model (10.5% discount rate) and $41 EV/Adjusted EBITDA (11x multiple in 2018, discounted 1 year to 2017) valuation methodologies. We believe ETP offers an interesting risk-reward value proposition with as the only investment grade MLP with double-digit yield and visibility on distribution coverage improvement from gas, NGL and crude infrastructure assets entering service through year end 2017. Distribution coverage improvement is supported by more than $1 billion general partner reductions and contributions from $9 billion organic projects entering service 2H16-2017. Though the Dakota Access crude pipe project is currently in regulatory limbo, we assume the project is approved though in-service date will likely be later than expected. Longer term, ETP's high general partner splits are a headwind for future distribution growth, but at an 11% yield, we expect price appreciation from gradual yield compression (multiple expansion) from distribution coverage improvement.

Company Description

ETP is a large cap, diversified investment grade midstream MLP headquartered in Houston, TX. The Partnership has been a publicly traded MLP since 1996. ETP's diversified asset base is comprised of inter and intrastate natural gas pipelines, storage, gas gathering, compression, processing and marketing, NGL transportation, fractionation and storage and crude transportation and storage (though SXL ownership interest). The general partner is Energy Transfer Equity (ETE). The consolidated cash flow mix (LTM) is 22% Sunoco Logistics, 20% Midstream, 20% Interstate Transportation & Storage, 15% Liquids Transportation & Services, 10% Interstate Transportation & Storage, 8% Retail Marketing and 5% Other.

Valuation

ETP trades at a discount to our MLP coverage universe due to below-average growth and distribution coverage. On EV/Adjusted EBITDA 2017e basis, trades at 8.9x vs. 13.5x our universe. On P/DCF 2017e basis, 8.9x vs. 13x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 0.5% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.01x vs. 1.16x universe.

Management

Kelcy Warren, Chairman and CEO

Warren has been the CEO and Chairman of the Board of ETP's GP since August 2007. Warren served as the Co-CEO and Co-Chairman since 2004. Warren brings a unique perspective with more than 25 years of industry experience having served in senior executive positions at Crosstex Energy and Cornerstone Natural Gas.

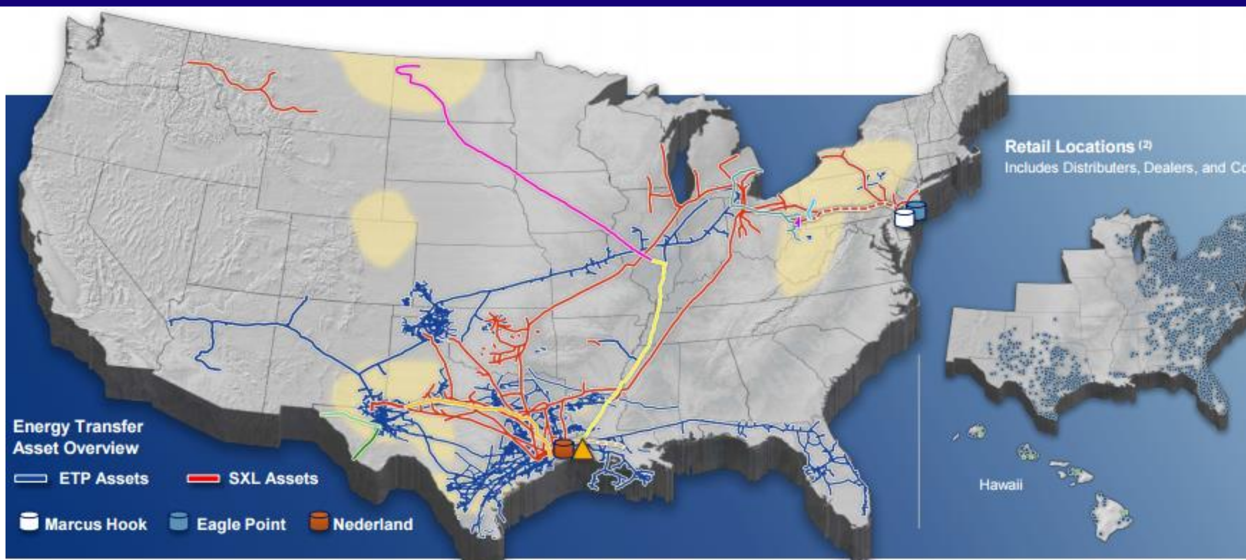
Thomas Long, CFO

Long has been the Group CFO of ETE since February 2016. He previously served as CFO of ETP after similar roles at Regency GP LLC, Matrix Service Company and DCP Midstream Partners from 2005 to 2015. Long had also served in several executive positions with subsidiaries of Duke Energy Corp from 1998 to 2005.

Matthew Ramsey, President & COO

Ramsey has been President and COO of ETP's GP since 2015 and Chairman of SUN's Board since 2015. Prior to joining Energy Transfer, Ramsey served as President of RPM Exploration, a private oil and gas exploration partnership, and as President of DDD Energy. Ramsey had also served in executive positions at OEC Compression Corporation, Nuevo Energy and Torch Energy Advisors since 1992.

Figure 84: ETP Asset Map



Asset Summary	ETE
Pipeline (miles)	71,000
Midstream Throughput (MMBtu/d)	10,000,000
NGL Production (bpd)	469,000
Natural Gas Transported (MMBtu/d)	18,320,000(3)

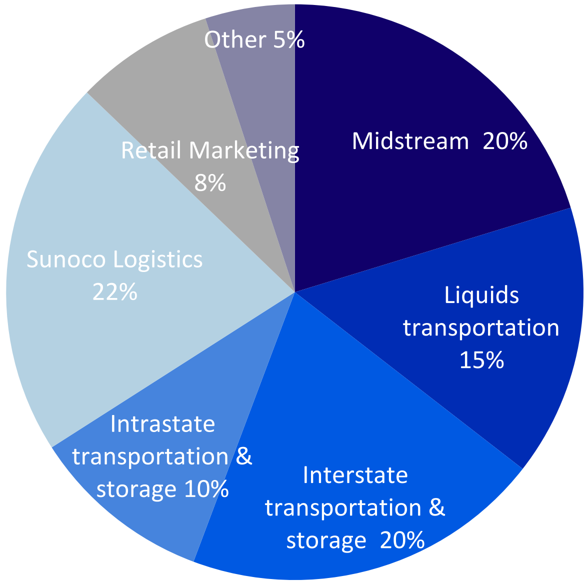
(1) All, or a portion of, placed in service in first half of 2016
(2) Represents Sunoco LP retail locations
(3) Includes unconsolidated affiliates volumes

Growth Projects

- Lake Charles LNG
- Dakota Access Pipeline
- Crude Conversion Pipeline
- Comanche Trail Pipeline
- Trans-Pecos Pipeline
- Lone Star Express Pipeline (1)
- Rover Pipeline
- Revolution System
- Bayou Bridge (1)
- Ohio River(1)
- Mariner East Phase 2

Source: Company reports

Figure 85: ETP Cash Flow Mix (LTM)



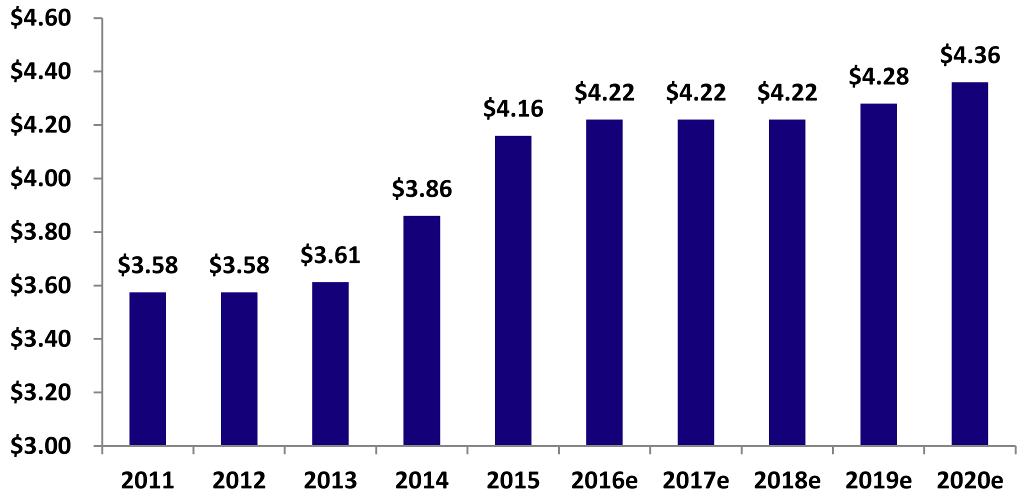
Source: Company reports

Figure 86: ETP Benefits from more than $1 Billion General Partner Distribution Reductions

ETP	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	7.3%	38.2	1,408
DST Systems, Inc.	4.3%	22.7	836
The Goldman Sachs Group, Inc.	4.2%	22.2	818
Harvest Fund Advisors LLC	4.2%	21.8	802
Kayne Anderson Investment Management, Inc.	3.9%	20.5	756
Bicknell Family Holding Co. LLC	3.5%	18.4	679
Morgan Stanley	3.0%	15.9	587
Canadian Imperial Bank of Commerce	2.2%	11.6	427
Appaloosa LP	2.2%	11.4	421
ING Groep NV	2.1%	11.2	414
Total	**37.0%**	**193.9**	**7,147**

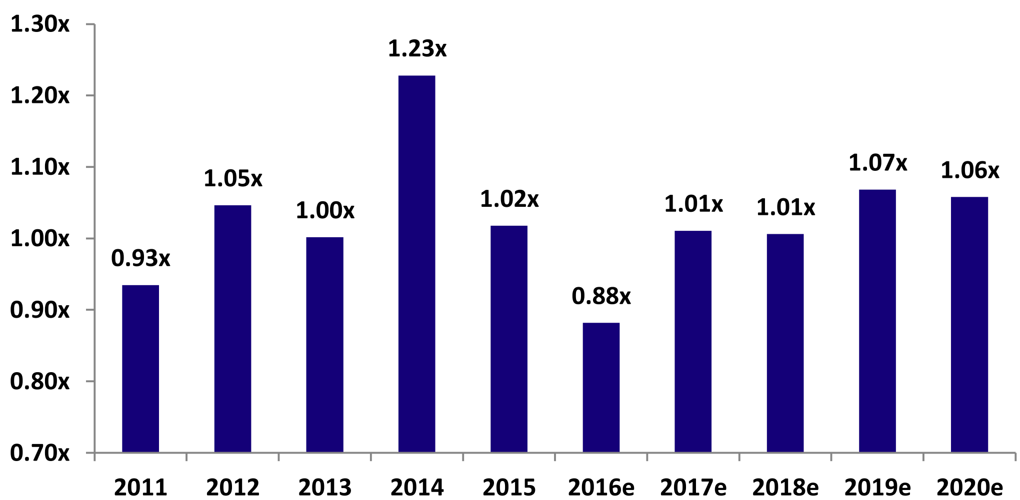
Source: Mizuho Securities USA, Inc, company reports.

Figure 87: ETP Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 88: ETP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 89: Top 10 ETP Unitholders

ETP	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	7.3%	38.2	1396.8
DST Systems, Inc.	4.3%	22.7	829.6
The Goldman Sachs Group, Inc.	4.2%	22.2	811.1
Harvest Fund Advisors LLC	4.2%	21.8	795.8
Kayne Anderson Investment Management, Inc.	3.9%	20.5	749.6
Bicknell Family Holding Co. LLC	3.5%	18.4	673.3
Morgan Stanley	3.0%	15.9	582.3
Canadian Imperial Bank of Commerce	2.2%	11.6	423.9
Appaloosa LP	2.2%	11.4	417.4
ING Groep NV	2.1%	11.2	410.5

Source: FactSet

Figure 90: ETP Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	3,953	4,829	5,497	5,657	6,440	7,449	8,090	8,594	9.3%
Interest expense	849	860	1,209	1,276	1,336	1,424	1,512	1,595	5.7%
Income tax expense	97.0	355.0	(127.0)	(63.4)	11.7	15.9	18.3	19.8	-168.9%
Maintenance capital	(343.0)	(343.0)	(463.0)	(398.0)	(442.0)	(491.0)	(523.0)	(558.0)	3.8%
Distributable cash flow	2423.0	3169.0	3803.0	3494.4	4152.9	5005.9	5502.7	5865.2	9.1%
Distributable cash flow per limited partner unit	$3.72	$5.34	$4.44	$3.43	$4.29	$4.27	$4.83	$4.84	1.8%
Cash distribution per limited partner unit (declared)	$3.61	$3.86	$4.16	$4.22	$4.22	$4.22	$4.28	$4.36	0.9%
Distributions declared	1832.0	2048.0	3228.0	3442.8	3473.8	4154.6	4394.0	4760.7	8.1%
Distribution coverage ratio	1.00x	1.23x	1.02x	0.88x	1.01x	1.01x	1.07x	1.06x	
Debt/EBITDA (LTM)	4.3x	4.0x	5.2x	5.0x	4.7x	4.2x	3.9x	3.8x	
Capital expenditures	2575.0	4158.0	9098.0	5122.0	3632.0	2632.0	2676.0	3125.0	
Acquisitions	1737.0	1562.0	804.0	760.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	44%	22%	14%	3%	14%	16%	9%	6%	
Distributable cash flow YoY growth	24%	39%	9%	-11%	31%	2%	16%	4%	
Distributable cash flow per unit YoY growth	-10%	44%	0%	0%	0%	0%	0%	0%	
Cash distribution per unit YoY growth	1%	7%	8%	1%	0%	0%	1%	2%	

Source: Mizuho Securities USA, Inc, company reports.

Magellan Midstream Partners (MMP): Initiate Coverage with a Neutral Rating and $73 Price Target

Investment Thesis

We are initiating coverage of MMP with a Neutral rating and $73 price target, based on the average of our $75 discounted cash flow model (8.25% discount rate) and $71 EV/Adjusted EBITDA (16x multiple in 2017) valuation methodologies. MMP is a stable, investment grade liquids infrastructure-focused MLP with a low cost of capital, healthy distribution coverage and reasonable growth rate for a large cap name. Stability supported by primarily fee-based cash flows generated from transportation and storage assets. Low cost of capital underpinned by BBB+ credit rating (highest in MLP sector) and no general partner incentive distribution rights structure. Our hold rating is based on valuation and our assumption of modest decline in long-term distribution growth rate from double-digit to levels of past few years to 7% CAGR to 2019.

Company Description

MMP is a large-cap midstream crude oil/refined products pipeline and storage MLP headquarter in Tulsa, OK. The Partnership has been a publicly traded MLP since 2001. MMP owns the longest US refined products pipeline system with 9,700 miles. The refined products business also has 54 terminals, with 42 million barrels of storage capacity. The crude oil segment is comprised of 2,100 miles of pipelines and 23 mm barrels of storage capacity. The marine storage business has 26 mm barrels of storage. The Partnership's cash flow mix is 61% Refined Products, 30% Crude Oil and 9% Marine Storage.

Valuation

MMP trades at a premium to our MLP coverage universe due to above-average cash flow stability and competitive growth rate for a large cap. On EV/Adjusted EBITDA 2017e basis, trades at 15.8x vs. 13.4x our universe. On P/DCF 2017e basis, 19.5x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 7.2% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.22x vs. 1.16x universe.

Management

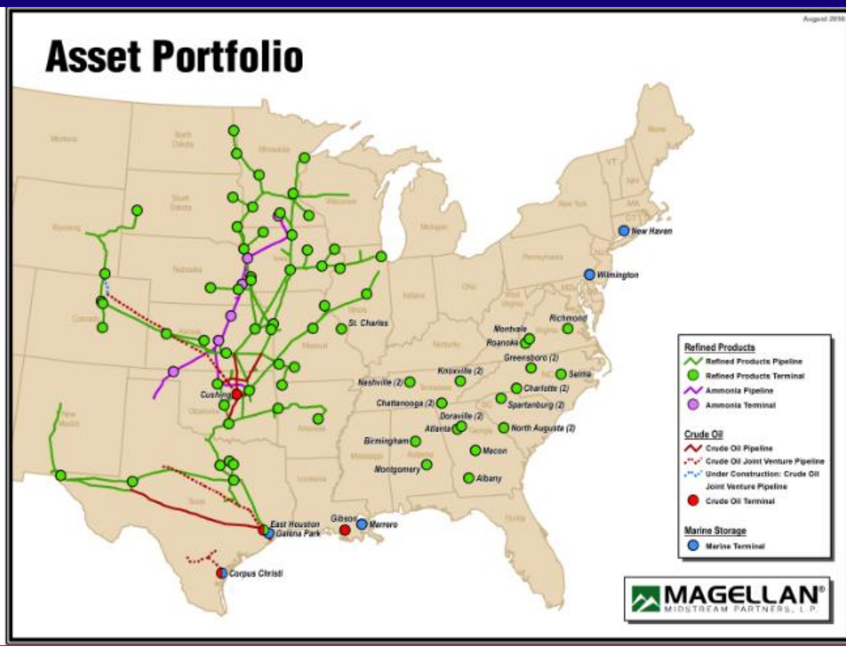
Michael Mears, Chairman & CEO

Mears has served as Chairman of the Board and CEO since 2011. Has more than 30 years of experience at MMP and predecessor company (Williams). Prior to current role, Mears worked as COO and SVP Terminals and Transportation. Before 2003, Mears served in various management positions with Williams.

Aaron Milford, CFO

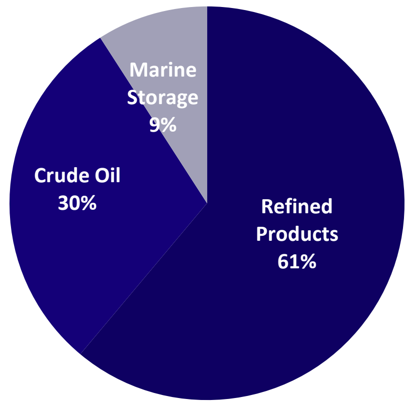
Milford has served as CFO since 2015. Prior to his current role, Milford worked as VP, Crude Oil Business Development (2014-15), Director, Crude Oil Business Development (2013-14), Director, Commercial Development (2011-12), Director, Business Development (2007-10). Prior to MMP in 2004, Milford served in various financial planning and business development positions at Williams since 1995.

Figure 91: MMP Asset Map



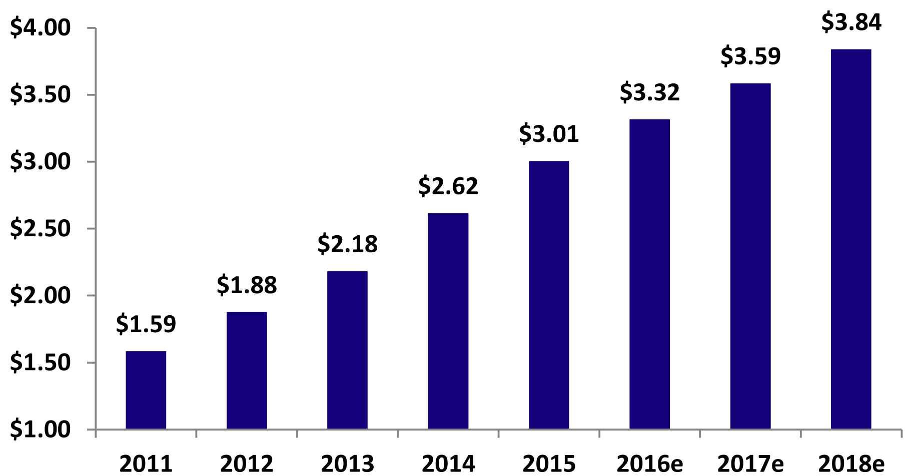
Source: Company reports

Figure 92: MMP Cash Flow Mix (LTM)



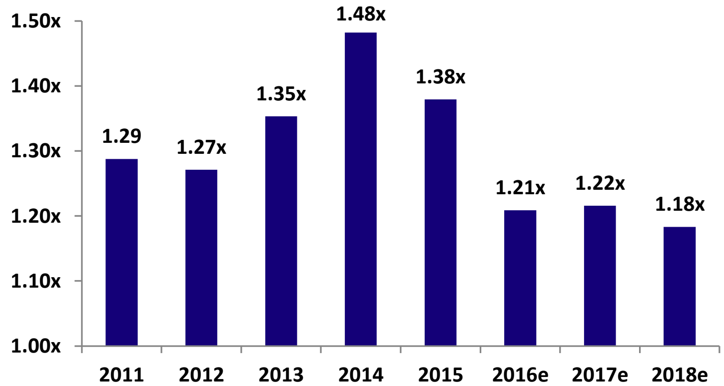
Source: Company reports

Figure 93: MMP Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 94: MMP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 95: Top 10 MMP Unitholders

MMP	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	6.3%	14.4	1,010
Bicknell Family Holding Co. LLC	6.1%	13.9	974
DST Systems, Inc.	5.2%	11.8	825
The Goldman Sachs Group, Inc.	5.0%	11.3	790
Harvest Fund Advisors LLC	2.4%	5.5	387
Kayne Anderson Investment Management, Inc.	2.1%	4.8	336
UBS Group AG	2.0%	4.6	324
Bank of America Corp.	1.8%	4.1	290
Legg Mason, Inc.	1.8%	4.0	283
Miller/Howard Investments, Inc.	1.8%	4.0	283
Total	**34.5%**	**78.7**	**5,501**

Source: FactSet

Figure 96: MMP Summary Model

(units in million $ unless otherwise noted)	2011	2012	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	636.2	715.9	861.6	1081.3	1173.8	1176.2	1293.9	1355.1	1451.5	1470.0	4.6%
Interest expense	(105.6)	(111.7)	(115.8)	(123.0)	(142.4)	(163.2)	(199.3)	(215.3)	(224.3)	(234.2)	10.5%
Income tax expense	(1.9)	(2.6)	(4.6)	(4.5)	(2.4)	(3.1)	(3.5)	(3.7)	(4.0)	(3.9)	10.3%
Maintenance capital	(70.0)	(64.4)	(76.1)	(77.8)	(88.6)	(99.7)	(100.7)	(103.7)	(109.7)	(115.7)	5.5%
Distributable cash flow	460.6	539.8	669.7	880.5	942.9	913.3	993.8	1036.1	1117.4	1120.1	3.5%
Distributable cash flow per limited partner unit	$2.04	$2.38	$2.95	$3.88	$4.14	$4.01	$4.36	$4.54	$4.87	$4.86	3.2%
Cash distribution per limited partner unit (declared)	$1.59	$1.88	$2.18	$2.62	$3.01	$3.32	$3.59	$3.84	$4.08	$4.33	7.6%
Distributions declared											
Distribution coverage ratio	1.29x	1.27x	1.35x	1.48x	1.38x	1.21x	1.22x	1.18x	1.19x	1.12x	
Debt/EBITDA (LTM)	3.4x	3.3x	3.1x	2.8x	2.9x	3.6x	3.4x	3.5x	3.4x	3.6x	
Capital expenditures	58.3	0.0	214.5	75.0	54.7	0.0	0.0	0.0	0.0	0.0	
Acquisitions	58.3	0.0	214.5	75.0	54.7	0.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	0%	13%	20%	25%	9%	0%	10%	5%	7%	1%	
Distributable cash flow YoY growth	0%	17%	24%	31%	7%	-3%	9%	4%	8%	0%	
Distributable cash flow per unit YoY growth	0%	17%	24%	31%	7%	-3%	9%	4%	7%	0%	
Cash distribution per unit YoY growth	0%	18%	16%	20%	15%	10%	8%	7%	6%	6%	

Source: Mizuho Securities USA, Inc, company reports.

MPLX (MPLX): Initiate Coverage with a Neutral Rating and $35 Price Target

Investment Thesis

We are initiating coverage of MPLX with a Neutral rating and $35 price target, based on the average of our $38 discounted cash flow model (9.75% discount rate) and $33 EV/EBITDA (14x multiple in 2017) valuation methodologies. MPLX is a diversified, investment grade MLP with strategically located assets and competitive growth rate for a large-cap name supported by organic projects and dropdowns. Management has been working to address the market's re-rating of MLPX valuation since the Markwest merger, such as through the accretive marine transportation drop down transaction for a 5x multiple. MPLX has strategically located gas gathering, processing and fractionation assets in the Marcellus, Utica and emerging presence in the Permian. The crude and refined products assets are integrated with parent Marathon Petroleum's refineries. Our neutral rating is based on the growing general partner burden limiting long-term growth and to a lesser degree current valuation.

Company Description

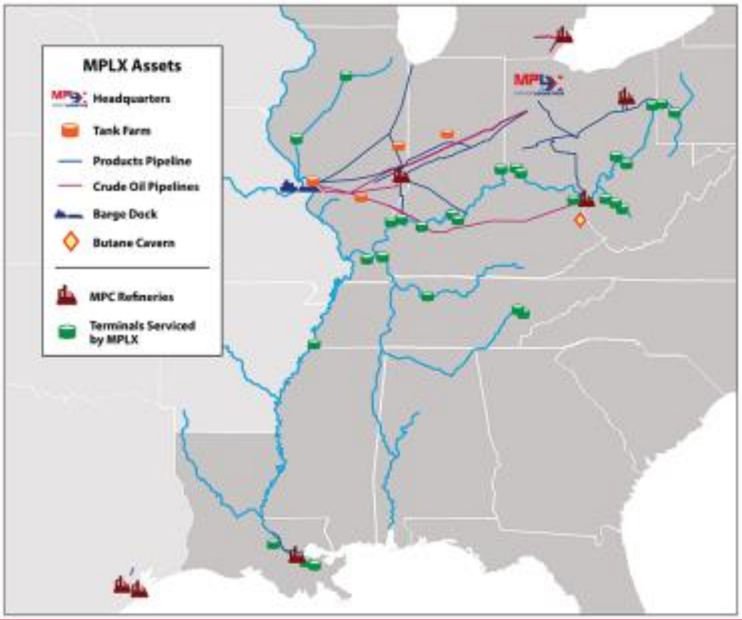
MPLX is a large-cap midstream natural gas gathering/processing and crude oil/refined products pipeline/storage MLP headquartered in Findlay, OH. The Partnership has been a publicly traded MLP since 2012. MPLX's asset base is comprised of ~2,900 miles of crude oil and refined product pipelines across nine states in support of MPC, and, as a result of the MarkWest merger in December 2015, 7.6 bcf/d of gas processing capacity, over 500 mb/d of NGL fractionation capacity and over 5,000 miles of gas and NGL pipelines in major producing areas including the Marcellus and Utica shale formations. The Partnership's cash flow mix (1H16) is 71% Gathering & Processing and 29% Logistics & Storage.

In August, MPLX agreed to invest $500 mm to acquire from Energy Transfer a 9.2% interest in the 470 mb/d Dakota Access Pipeline and the Energy Transfer Crude Oil Pipeline system transporting crude oil from North Dakota to Midwest and Gulf Coast refining hubs.

Valuation

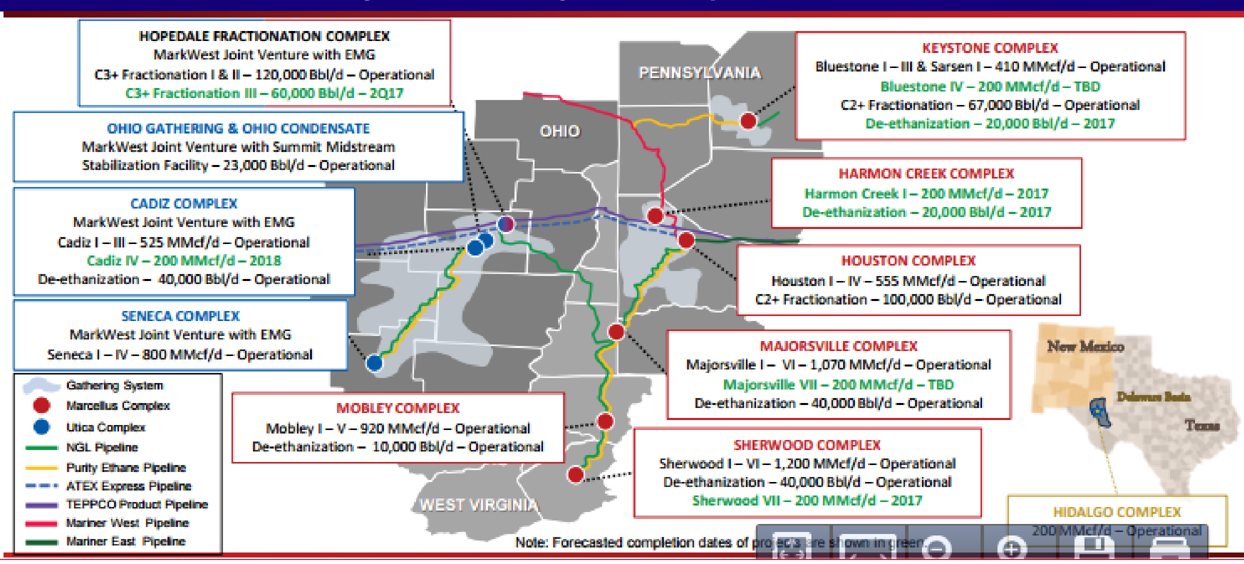
MPLX trades roughly in line with our MLP coverage universe. On EV/Adjusted EBITDA 2017e basis, trades at 13.9x vs. 13.4x our universe. On P/DCF 2017e basis, 12.9x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 9.2% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.08x vs. 1.16x universe.

Figure 97: MPLX Logistics Asset Map



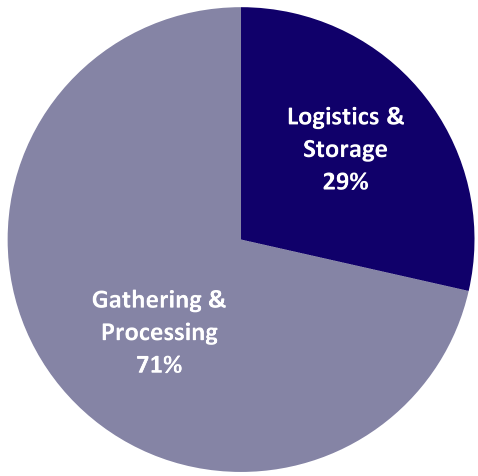
Source: Company reports

Figure 98: MPLX Gathering & Processing Asset Map



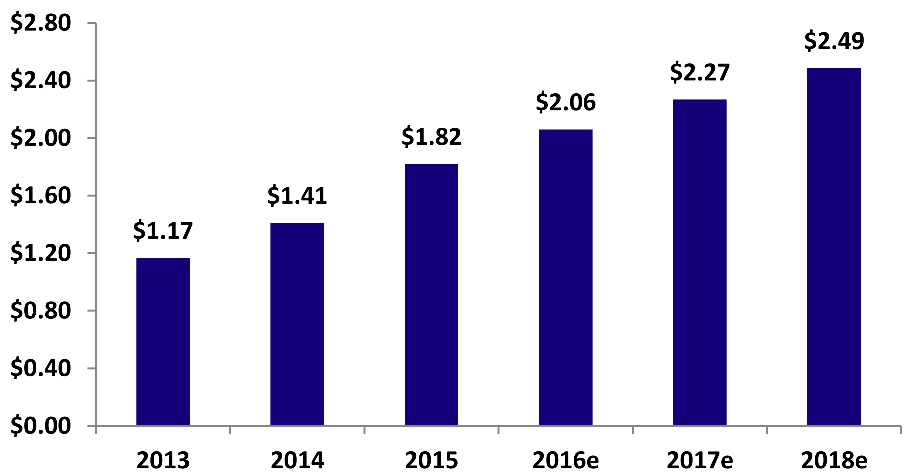
Source: Company reports

Figure 99: MPLX Cash Flow Mix (1H16)



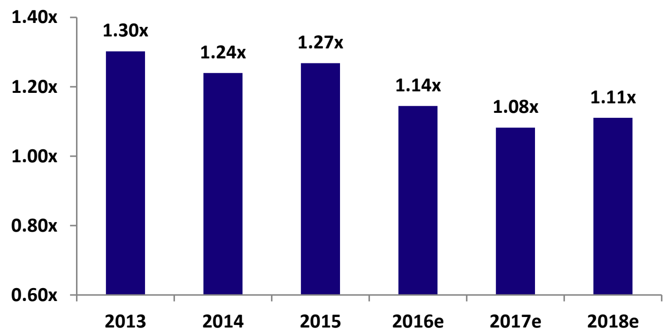
Source: Company reports

Figure 100: MPLX Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 101: MPLX Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 102: Top 10 MPLX Unitholders

MPLX	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	6.6%	22.2	717
Bicknell Family Holding Co. LLC	6.0%	20.0	646
The Goldman Sachs Group, Inc.	5.0%	16.9	545
DST Systems, Inc.	4.6%	15.6	504
Harvest Fund Advisors LLC	4.1%	13.9	449
Morgan Stanley	3.7%	12.5	404
Kayne Anderson Investment Management, Inc.	3.6%	12.0	389
Center Coast Capital Holdings LLC	2.2%	7.4	240
Legg Mason, Inc.	2.2%	7.3	234
Piper Jaffray Cos.	1.7%	5.7	185
Total	**39.8%**	**133.5**	**4,314**

Source: FactSet

Figure 103: MPLX Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	197.3	235.5	340.5	1364.4	1607.1	1910.2	2245.4	2649.2	50.7%
Interest expense	(1.1)	(5.3)	(47.0)	(220.8)	(276.8)	(270.9)	(279.3)	(322.0)	46.9%
Income tax expense	0.2	(0.1)	(2.1)	16.0	0.0	0.0	0.0	0.0	
Maintenance capital	0.0	0.0	(3.0)	70.0	(20.0)	(20.8)	(21.6)	(22.5)	49.6%
Distributable cash flow	114.6	139.3	399.4	1055.6	1262.3	1557.3	1872.0	2224.1	41.0%
Distributable cash flow per limited partner unit	$1.52	$1.79	$3.19	$2.50	$2.54	$2.89	$3.25	$3.27	0.5%
Cash distribution per limited partner unit (declared)	$1.17	$1.41	$1.82	$2.06	$2.27	$2.49	$2.69	$2.89	9.7%
Distributions declared	88.0	112.4	315.0	881.0	1101.1	1337.5	1579.5	2043.3	
Distribution coverage ratio	1.30x	1.24x	1.27x	1.14x	1.08x	1.11x	1.14x	1.09x	
Debt/EBITDA (LTM)	0.1x	3.9x	10.8x	3.6x	3.5x	3.5x	3.5x	3.7x	
Capital expenditures	106.5	78.6	264.0	1103.0	1067.0	1181.0	1493.0	1802.0	
Acquisitions	0.0	0.0	1218.0	0.0	500.0	850.0	900.0	1100.0	
Adjusted EBITDA YoY growth		50%	192%	175%	20%	19%	18%	18%	
Distributable cash flow YoY growth		22%	187%	164%	20%	23%	20%	19%	
Distributable cash flow per unit YoY growth		18%	78%	-22%	2%	14%	12%	1%	
Cash distribution per unit YoY growth		21%	29%	13%	10%	10%	8%	7%	

Source: Mizuho Securities USA, Inc, company reports.

NuStar Energy (NS): Initiate Coverage with a Neutral Rating and $50 Price Target

Investment Thesis

We are initiating coverage of NS with a Neutral rating and $50 price target. Our price target is based on the average of our $53 discounted cash flow model (10.25% discount rate) and $46 EV/Adjusted EBITDA (12.5x multiple in 2017) valuation methodologies. NS offers a healthy 9% yield with 1x distribution coverage supported by largely fee-based cash flows generated from crude oil and refined products transportation and storage assets. One reason the yield is high is because of no distribution growth. Our hold rating is based on limited growth visibility and exposure to declining Eagle Ford crude production volumes (though partially offset by contracts). For income-oriented investors, we believe the distribution is safe.

Company Description

NS is a mid-cap midstream crude oil, refined products and ammonia pipeline and storage MLP headquarter in San Antonio, TX. The Partnership has been a publicly traded MLP since 2001. NS's asset base is comprised of 7,500 miles of products pipelines in the mid-continent, 1,200 miles of crude oil pipeline system mainly in Texas including the Eagle Ford shale and 50 terminals totalling 94 mm barrels of capacity mainly in the US and also in Mexico, the island of St. Eustatius, Canada, UK and the Netherlands. The Partnership's cash flow mix (LTM) is 50.7% Pipeline, 49.1% Storage and 0.2% Fuels Marketing.

Valuation

NS trades at a discount to our MLP coverage universe due to below-average growth. On EV/Adjusted EBITDA 2017e basis, trades at 12.7x vs. 13.4x our universe. On P/DCF 2017e basis, 10.4x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 0.4% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.04x vs. 1.16x universe.

Management

William Greehey, Chairman

Mr. Greehey has been Chairman of the Board since 2002. Previously, Greehey served as Chairman of the board of Valero Energy Corporation from 1979 through 2007, and also CEO of Valero Energy from 1979 through 2005 and President from 1998 until 2003.

Bradley Barron, President & CEO

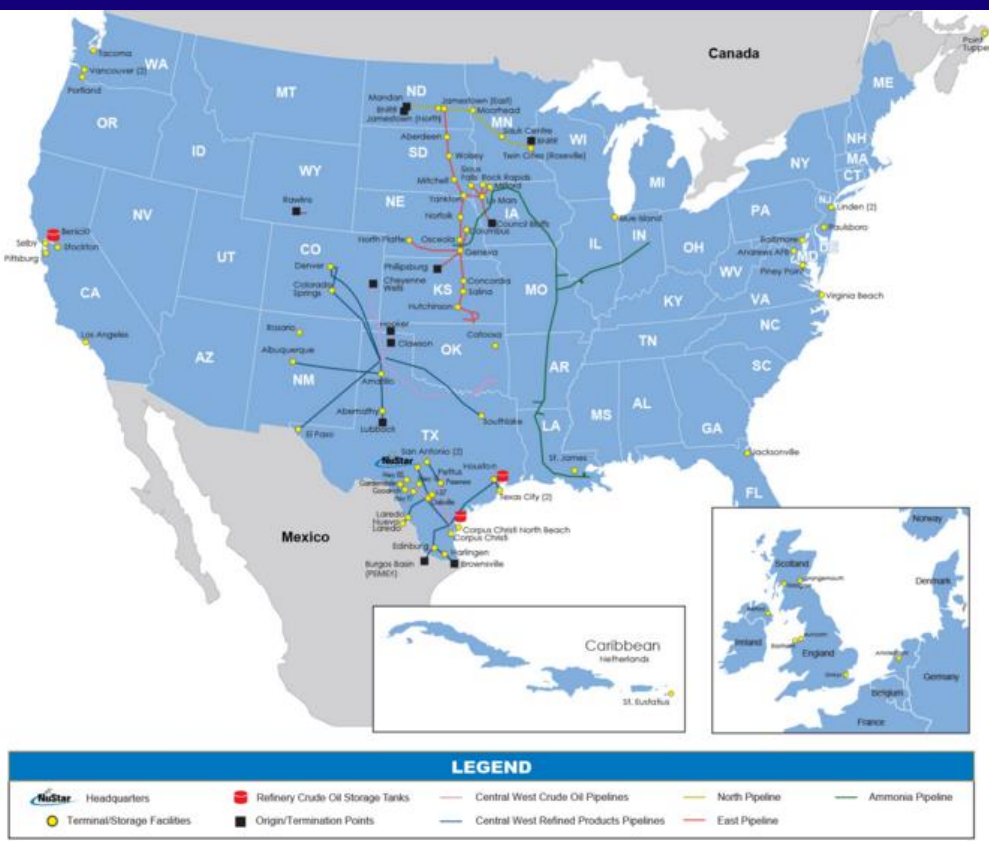
Barron has been CEO, President and a director of NuStar GP since 2014. Prior to his current role, Barron served as Executive Vice President and General Counsel of

NuStar GP since 2012. He has been with NuStar GP, LLC since July 2003 and was previously with Valero Energy from 2001 to 2003.

Thomas Shoaf, CFO

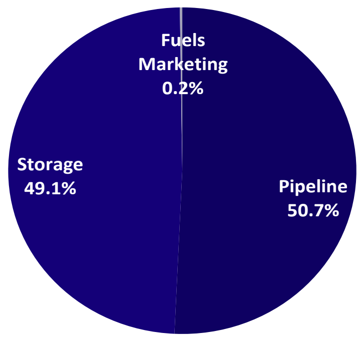
Shoaf has been EVP and CFO of NuStar GP since 2014. He was SVP from 2012 to 2014 and Controller from 2005 to 2014. He served as VP- Structured Finance for Valero Corporate Services Company, a subsidiary of Valero Energy, from 2001.

Figure 104: NS Asset Map



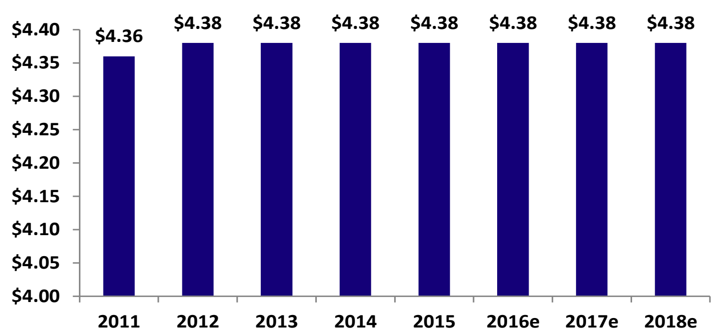
Source: Company reports

Figure 105: NS Cash Flow Mix (LTM)



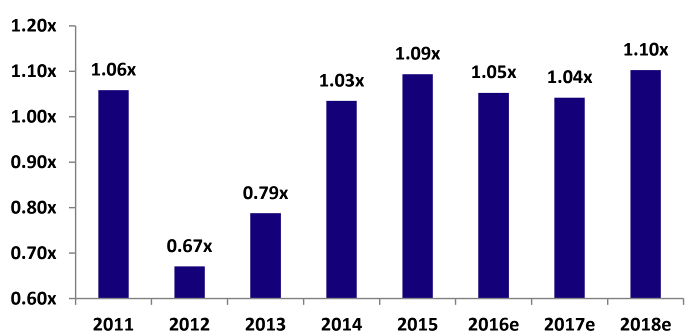
Source: Company reports

Figure 106: NS Cash Flow Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 107: NS Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 108: Top 10 NS Unitholders

NS	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	15.5%	12.0	572
The Goldman Sachs Group, Inc.	5.2%	4.1	193
DST Systems, Inc.	5.1%	4.0	190
Harvest Fund Advisors LLC	4.8%	3.8	179
Center Coast Capital Holdings LLC	4.3%	3.3	159
Morgan Stanley	2.4%	1.8	87
Legg Mason, Inc.	1.9%	1.4	69
JPMorgan Chase & Co.	1.5%	1.2	55
UBS Group AG	1.3%	1.0	50
NBSH Acquisition LLC	1.3%	1.0	49
Total	**43.3%**	**33.7**	**1,602**

Source: FactSet

Figure 109: NS Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	127.2	547.9	662.7	582.6	611.3	646.8	681.4	721.1	1.7%
Interest expense	(121.0)	(131.2)	(131.9)	(137.0)	(144.8)	(144.3)	(154.1)	(164.7)	4.5%
Income tax expense	(12.8)	(10.8)	(14.7)	(12.6)	(9.5)	(11.2)	(11.9)	(12.7)	-2.9%
Maintenance capital	(39.9)	(28.6)	(40.0)	(41.0)	(43.0)	(45.6)	(48.8)	(51.7)	5.3%
Distributable cash flow	308.9	405.9	429.0	412.9	414.0	445.7	466.6	492.0	2.8%
Distributable cash flow per limited partner unit	$3.31	$4.56	$4.85	$4.65	$4.59	$4.90	$5.04	$5.22	1.5%
Cash distribution per limited partner unit (declared)	$4.38	$4.38	$4.38	$4.38	$4.38	$4.38	$4.43	$4.53	0.7%
Distributions declared	392.2	392.2	392.2	392.2	397.2	404.3	416.3	434.6	2.1%
Distribution coverage ratio	0.8x	1.0x	1.1x	1.1x	1.0x	1.1x	1.1x	1.1x	
Debt/EBITDA (LTM)	20.9x	4.8x	4.5x	5.2x	5.2x	5.0x	5.0x	4.9x	
Capital expenditures	343.3	357.0	324.8	221.1	253.0	265.6	298.8	321.7	
Acquisitions	0.0	0.0	142.5	0.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	28%	331%	21%	-12%	5%	6%	5%	6%	
Distributable cash flow YoY growth	23%	31%	6%	-4%	0%	8%	5%	5%	
Distributable cash flow per unit YoY growth	19%	38%	7%	-4%	-1%	7%	3%	3%	
Cash distribution per unit YoY growth	0%	0%	0%	0%	0%	0%	1%	2%	

Source: Mizuho Securities USA, Inc, company filings.

NuStar GP Holdings (NSH): Initiate Coverage with a Neutral Rating and $26 Price Target

Investment Thesis

We are initiating coverage of NSH with a Neutral rating and $26 price target. Our $26 price target is based on the average of our $24 discounted cash flow model (10.25% discount rate) and $27 EV/Adjusted EBITDA (12.75x multiple in 2017) valuation methodologies. NSH offer a healthy yield of 8.3%, one of the highest among general partner peers. We believe the distribution is safe, supported by relatively stable, fee-based transportation and storage cash flows generated by underlying MLP NuStar Energy (NS). However, NSH's high distribution yield is largely attributable to an expected below-average distribution growth rate (we do not forecast NSH or NS to post distribution growth until 2019) and a 25% incentive distribution cap vs. 50% for most other GPs. However, for patient, income-oriented investors, NSH provides a robust yield with upside potential from future NS equity issuance or distribution bumps.

Company Description

NSH is a small-cap MLP owning the general partner and 13% limited partnership interest in crude oil/refined products pipeline and storage MLP NuStar Energy. NSH is headquartered in San Antonio, TX and has been a publicly traded MLP since 2006. The Partnership's cash flows are generated solely from general and limited partner distributions from NS. NSH's cash flow mix (LTM) is 53% general partner distributions and 47% limited partner distributions. The general and limited partner distributions paid by NS are generated from fee-based cash flows from crude/refined product pipeline and storage assets primarily in the US, but also in the Caribbean, Canada, Netherlands and UK. NS is a large independent liquids terminal operator with 94 mm barrels of storage capacity and transports more than 900 mb/d of crude oil and refined products on its 8,700 mile system. Worth noting Chairman William Greehey owns approximately 21% of NSH units.

Valuation

NSH trades at a discount to our MLP coverage universe due to below-average growth. On EV/Adjusted EBITDA 2017e basis, trades at 11.8x vs. 13.4x our universe. On P/DCF 2017e basis, 11.6x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 0.4% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 0.99x vs. 1.16x universe.

Management

William Greehey, Chairman

Mr. Greehey has been Chairman of the Board since 2002. Previously, Greehey served as Chairman of the board of Valero Energy Corporation from 1979 through 2007, and also CEO of Valero Energy from 1979 through 2005 and President from 1998 until 2003.

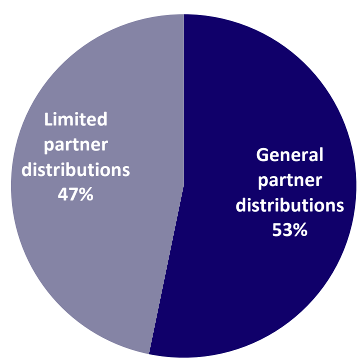
Bradley Barron, President & CEO

Barron has been CEO, President and a director of NuStar GP since 2014. Prior to his current role, Barron served as Executive Vice President and General Counsel of NuStar GP since 2012. He has been with NuStar GP, LLC since July 2003 and was previously with Valero Energy from 2001 to 2003.

Thomas Shoaf, CFO

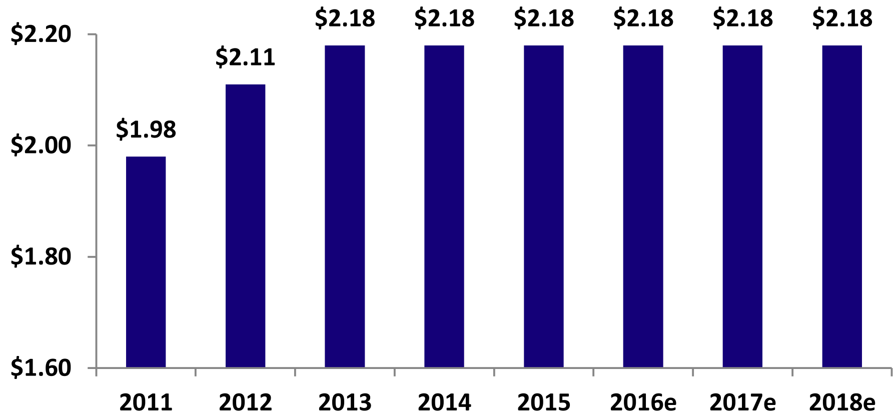
Shoaf has been EVP and CFO of NuStar GP since 2014. He was SVP from 2012 to 2014 and Controller from 2005 to 2014. He served as VP- Structured Finance for Valero Corporate Services Company, a subsidiary of Valero Energy, from 2001.

Figure 110: NSH Cash Flow Mix (LTM)



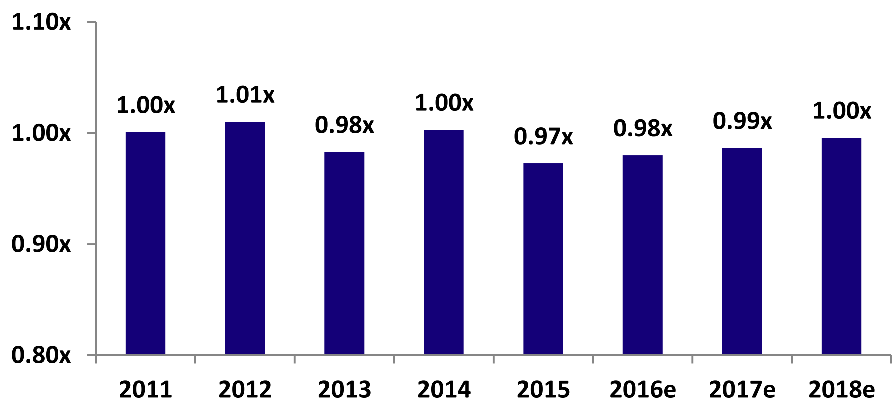
Source: Company reports

Figure 111: NSH Cash Distribution per unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 112: NSH Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 113: Top 10 NSH Unitholders

NSH	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	22.2%	9.5	242
NBSH Acquisition LLC	16.9%	7.2	183
Morgan Stanley	4.0%	1.7	43
Allianz SE	2.8%	1.2	30
Canadian Imperial Bank of Commerce	2.6%	1.1	29
Center Coast Capital Holdings LLC	2.5%	1.1	27
The Goldman Sachs Group, Inc.	2.4%	1.0	26
Eagle Global Advisors LLC	1.2%	0.5	13
Bank of America Corp.	0.9%	0.4	10
Cohen & Steers, Inc. (New York)	0.9%	0.4	10
Total	**56.4%**	**24.2**	**613**

Source: FactSet

Figure 114: NSH Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	92.9	92.6	92.8	92.9	93.6	94.5	97.1	101.8	1.9%
Interest expense	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)	(1.3)	7.1%
Income tax expense	(0.8)	1.8	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	-28.3%
Maintenance capital									
Distributable cash flow	91.4	93.5	91.0	91.7	92.3	93.2	95.7	100.3	2.0%
Distributable cash flow per limited partner unit	$2.14	$2.19	$2.12	$2.14	$2.15	$2.17	$2.23	$2.34	2.0%
Cash distribution per limited partner unit (declared)	$2.18	$2.18	$2.18	$2.18	$2.18	$2.18	$2.21	$2.30	1.1%
Distributions declared	92.9	93.3	93.6	93.6	93.6	93.6	94.8	98.7	1.1%
Distribution coverage ratio	0.98x	1.00x	0.97x	0.98x	0.99x	1.00x	1.01x	1.02x	
Debt/EBITDA (LTM)	0.3x	0.2x	0.3x	0.3x	0.3x	0.4x	0.3x	0.3x	
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	3%	0%	0%	0%	1%	1%	3%	5%	
Distributable cash flow YoY growth	1%	2%	-3%	1%	1%	1%	3%	5%	
Distributable cash flow per unit YoY growth	1%	2%	-3%	1%	1%	1%	3%	5%	
Cash distribution per unit YoY growth	3%	0%	0%	0%	0%	0%	1%	4%	

Source: Mizuho Securities USA, Inc, company filings.

Phillips 66 Partners (PSXP): Initiate Coverage with a Buy Rating and $55 Price Target

Investment Thesis

Our $55 price target is based on the average of our $60 discounted cash flow model (9.25% discount rate) and $50 EV/Adjusted EBITDA (16x multiple in 2017) valuation methodologies. PSXP is a high-growth, diversified investment grade MLP with stable cash flows and a strong parent. Growth visibility is supported by drop downs from investment grade parent PSX and organic projects. While the growth rate is moderating from very high levels, we still expect a healthy 19% distribution CAGR 2016-19. Cash flow stability is underpinned by long-term contracts and asset integration with PSX. We expect the parent to continue to grow its midstream business which provides long-term visibility for PSXP.

Company Description

PSXP is a mid-cap midstream crude oil, refined products and NGLs pipeline and storage MLP headquartered in Houston, TX. The Partnership has been a publicly traded MLP since 2013. PSXP's asset base is comprised of crude oil and product pipelines connecting to PSX's refineries in the Gulf Coast and Midcontinent, JV interests in NGL pipelines transporting barrels from the Permian, Eagle Ford basins and the Midcontinent to Gulf Coast fractionation facilities. PSXP recently acquired the Sweeny, TX fractionator and formed a 50/50 with PAA to transport crude oil from the STACK play in Oklahoma to Cushing. Additionally, a $1.7 billion EBITDA dropdown inventory at parent PSX supports long-term growth prospects. PSXP transported 893 mb/d of crude oil and products in 2Q16. The Partnership's cash flow mix (LTM) is 52% Refined Products, 43% Crude Oil and 5% NGLs.

Valuation

PSXP trades at a premium to our MLP coverage universe due to above-average growth and stability. On EV/Adjusted EBITDA 2017e basis, trades at 16.3x vs. 13.4x our universe. On P/DCF 2017e basis, 14.3x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 18.9% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.22x vs. 1.16x universe.

Management

Greg Garland, Chairman & CEO

Garland has served as CEO and Chairman of the Board of PSXP GP since 2013 and Chairman and CEO of Phillips 66 since 2014. Mr. Garland was appointed SVP, Exploration and Production—Americas for ConocoPhillips in 2010, having previously served as President and CEO of CPChem since 2008. Mr. Garland is also a member of the Board of DCP Midstream and Amgen Inc.

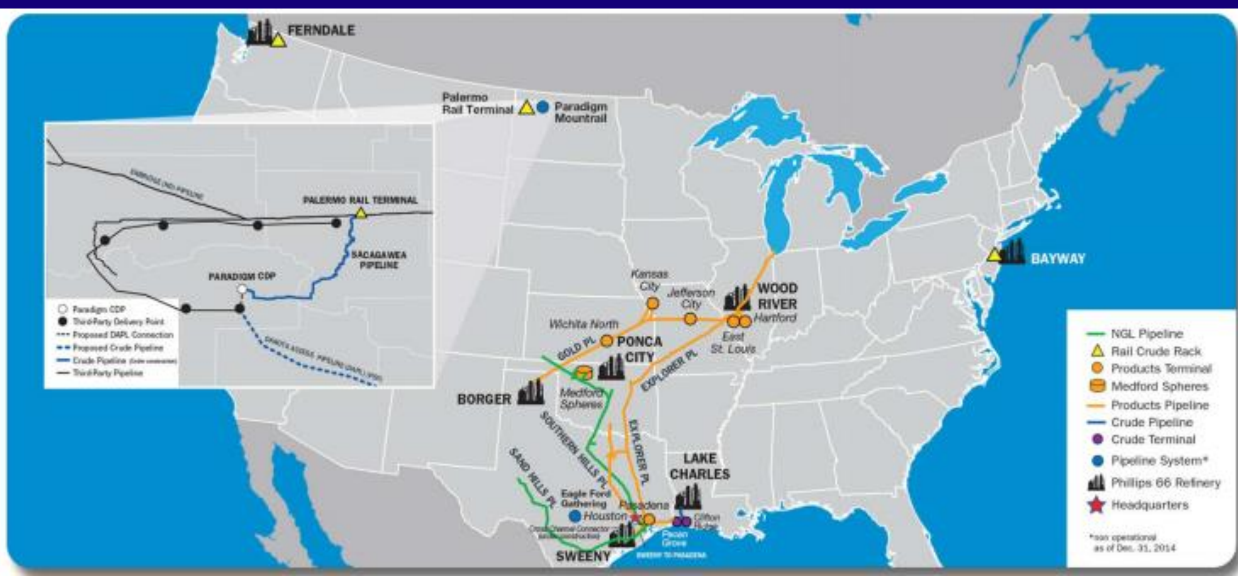
Kevin Mitchell, CFO

Mitchell has served as VP, CFO and a member of the Board of Directors of PSXP GP since 2016. Mitchell previously served as VP Investor Relations for Phillips 66 since 2014 and became EVP Finance and CFO in 2016. Prior to joining Phillips 66, he served as the General Auditor of ConocoPhillips from 2010 and held various finance and accounting positions with ConocoPhillips since 1991.

Tom Liberti, COO

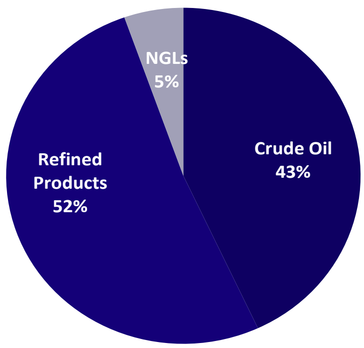
Liberti has been COO of PSXP GP and General Manager, Master Limited Partnership of Phillips 66 since 2013. Prior to his current role, Liberti served as General Manager, Lubricants of PSX and General Manager, Lubricants of ConocoPhillips from 2002 to 2013.

Figure 115: PSXP Asset Map



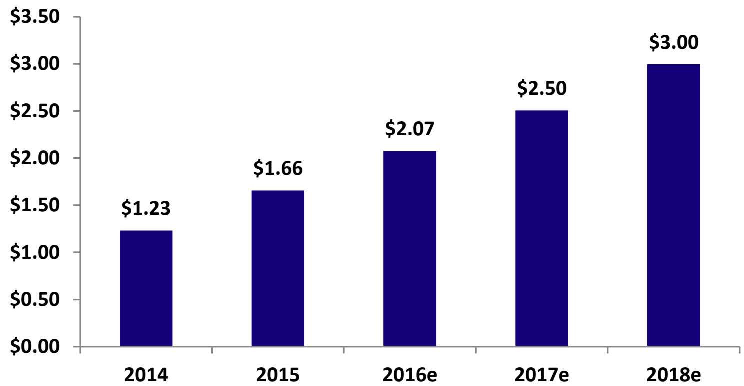
Source: Company reports

Figure 116: PSXP Cash Flow Mix



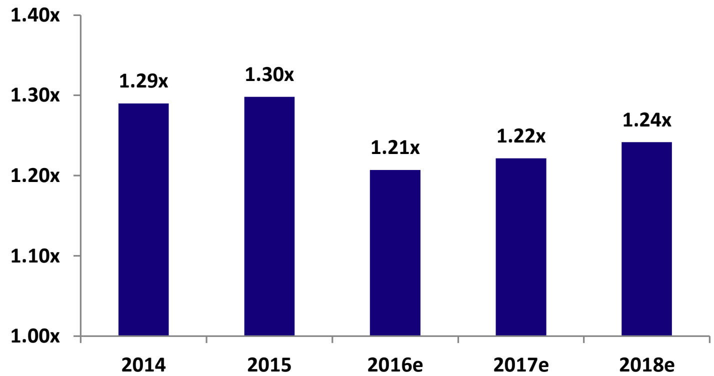
Source: Company reports

Figure 117: PSXP Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 118: PSXP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 119: Top 10 PSXP Unitholders

PSXP	% of Unit Outstanding	Million shares	Market Value, $mm
Bicknell Family Holding Co. LLC	6.2%	6.4	306
The Goldman Sachs Group, Inc.	3.7%	3.8	180
Morgan Stanley	2.5%	2.6	122
Center Coast Capital Holdings LLC	2.5%	2.5	121
DST Systems, Inc.	2.2%	2.3	109
Chickasaw Capital Management LLC	2.0%	2.1	100
Kayne Anderson Investment Management, Inc.	1.9%	1.9	91
Westwood Holdings Group, Inc.	1.1%	1.1	52
Salient Holdings GP LLC	1.0%	1.0	48
BPCE SA	0.9%	0.9	44
Total	**23.8%**	**24.6**	**1,174**

Source: FactSet

Figure 120: PSXP Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	32.0	138.7	266.5	398.6	645.2	974.1	1228.1	1509.7	41.5%
Interest expense	0.1	3.2	34.3	45.7	79.2	134.8	181.3	240.5	47.6%
Income tax expense	0.5	0.8	0.3	1.2	1.3	1.4	1.5	1.6	39.3%
Maintenance capital	2.7	11.9	7.7	14.0	25.8	48.7	61.4	75.5	57.9%
Distributable cash flow	30.4	128.2	228.2	341.3	540.3	790.6	985.4	1193.7	39.2%
Distributable cash flow per limited partner unit	$0.42	$1.64	$2.33	$2.69	$3.36	$4.16	$4.53	$4.83	15.7%
Cash distribution per limited partner unit (declared)	$0.38	$1.23	$1.66	$2.07	$2.50	$3.00	$3.49	$3.97	19.1%
Distributions declared	27.3	99.4	175.8	282.7	442.3	636.8	835.3	1058.3	43.2%
Distribution coverage ratio	1.1x	1.3x	1.3x	1.2x	1.2x	1.2x	1.2x	1.1x	
Debt/EBITDA (LTM)	0.0x	0.0x	4.1x	3.6x	3.3x	3.4x	3.4x	3.4x	
Capital expenditures	6.6	156.9	205.0	307.5	125.8	148.7	161.4	195.5	
Acquisitions	0.0	166.0	734.3	275.0	1400.0	2300.0	1800.0	2000.0	
Adjusted EBITDA YoY growth			92%	50%	62%	51%	26%	23%	
Distributable cash flow YoY growth			78%	50%	58%	46%	25%	21%	
Distributable cash flow per unit YoY growth			57%	35%	52%	42%	19%	16%	
Cash distribution per unit YoY growth			34%	25%	21%	20%	16%	14%	

Source: Mizuho Securities USA, Inc, company reports.

Shell Midstream Partners (SHLX): Initiate Coverage with a Buy Rating and $37 Price Target

Investment Thesis

We are initiating coverage of SHLX with a Buy rating and $37 price target. Our $37 price target is based on the average of our $40 discounted cash flow model (8.75% discount rate) and $34 EV/Adjusted EBITDA (17.5x multiple on 2017) valuation methodologies. SHLX is a high-growth, low-risk crude oil and refined products pipeline MLP with highly visible growth prospects, stable cash flows and an investment grade parent. The Partnership is well positioned to meet our 24% distribution growth CAGR (highest in our coverage universe) due to by a significant drop down inventory of $3.5 billion or 11x 2Q16 run rate EBITDA. High stability is supported by long-term contracts with a diverse customer base. Premium valuation is warranted due to strong growth visibility and stability. On PEG-like ratio of DCF multiple/growth, SHLX valuation is reasonable at 0.8x.

Company Description

SHLX is a mid-cap midstream crude oil/refined products pipeline and storage MLP headquartered in Houston, TX. The Partnership has been a publicly traded MLP since 2014. Its general partner is energy supermajor Royal Dutch Shell. SHLX's midstream asset base is comprised of onshore and offshore pipelines transporting crude oil to key Gulf Coast refiners and refined products pipelines serving key demand centers. Asset base is comprised of ownership interests in Zydeco, Mars and Poseidon crude pipelines, Colonial, Bengal and Explorer refined product pipelines and 100% of Auger offshore pipe and Lockport crude terminal. The Partnership's volume mix (LTM) is 94% pipelines and 6% terminals.

Valuation

SHLX trades at a premium to our MLP coverage universe due to above-average distribution growth and visibility from a very large drop down inventory. On EV/Adjusted EBITDA 2017e basis, trades at 16.7x vs. 13.4x our universe. On P/DCF 2017e basis, 17.5x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 24.1% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.38x vs. 1.16x universe.

Management

Curtis Frasier, Chairman

Curtis Frasier is Chairman of the Board of SHLX GP. Frasier had previously provided legal advice and services in the US, London and The Netherlands at Shell since 1982. Frasier mostly recently served as EVP, Chief Legal Officer and General

Counsel of Shell Upstream Americas and also held various roles in E&P, Gas & Power, Midstream, crude and refined product supply operations at Shell.

John Hollowell, CEO & President

John Hollowell has been CEO and President of the GP since 2015. Hollowell is a 35-year Shell executive with deep commercial and operations experience. Previously, he held various management positions at Shell in Deep Water Americas, E&P Europe, downstream and downstream distribution, and spent 1980-1998 in upstream engineering and operations.

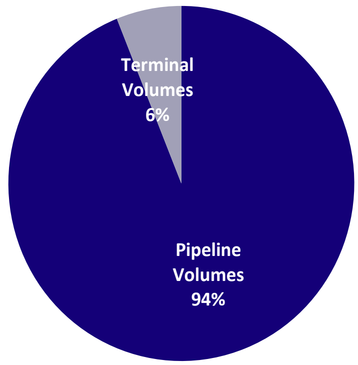
Susan Ward, CFO

Ward has served as VP and CFO of the GP since 2014 and as Head, M&A and Commercial Finance – Americas for Shell Oil Company since 2010. Ward had previously served in various roles in M&A and Commercial Finance across Shell's global businesses since 1998. Ward also worked as an investment banker for 11 years, including as a Managing Director in the Natural Resources and Energy group of UBS Securities.

Figure 121: SHLX Asset Map

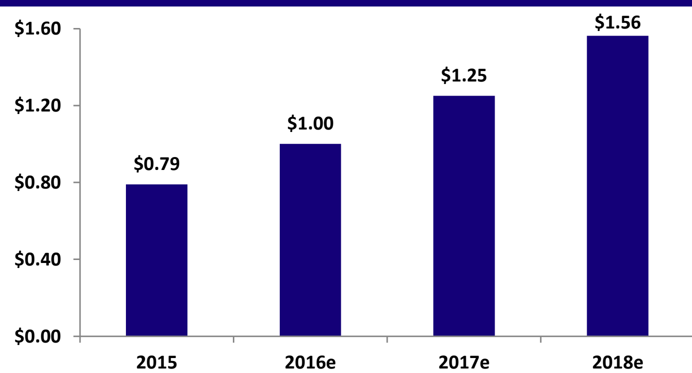
Source: Company reports

Figure 122: SHLX Volume Mix



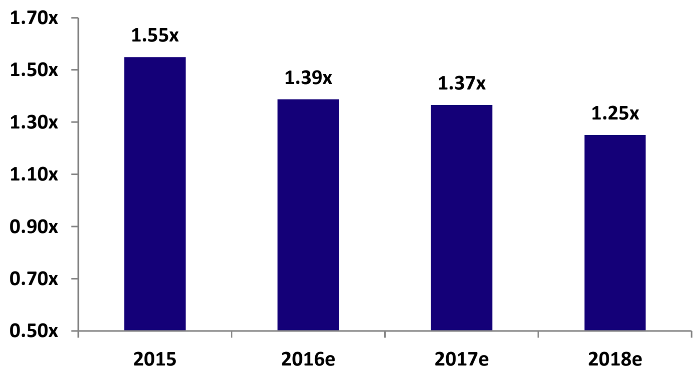
Source: Company reports

Figure 123: SHLX Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 124: SHLX Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 125: Top 10 SHLX Unitholders

SHLX	% of Unit Outstanding	Million shares	Market Value, $mm
Bicknell Family Holding Co. LLC	9.1%	10.0	318
Massachusetts Mutual Life Insurance Co.	7.6%	8.4	265
Chickasaw Capital Management LLC	6.8%	7.5	238
Harvest Fund Advisors LLC	5.6%	6.1	195
DST Systems, Inc.	4.9%	5.4	172
Salient Holdings GP LLC	4.8%	5.2	166
The Goldman Sachs Group, Inc.	4.6%	5.1	161
Morgan Stanley	3.8%	4.2	134
Kayne Anderson Investment Management, Inc.	3.5%	3.8	122
Swank Capital LLC	2.4%	2.7	85
Total	**53.2%**	**58.4**	**1,856**

Source: FactSet

Figure 126: SHLX Summary Model

(units in million $ unless otherwise noted)	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	260.7	332.3	481.3	651.7	885.7	1186.4	35.4%
Interest expense	(4.3)	(9.3)	(25.3)	(42.3)	(91.8)	(143.4)	101.7%
Income tax expense	0.1	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	
Maintenance capital	(6.1)	(33.3)	(37.5)	(48.9)	(64.7)	(86.6)	70.0%
Distributable cash flow	181.8	268.0	407.7	562.5	731.2	958.3	39.4%
Distributable cash flow per limited partner unit	$1.25	$1.47	$1.84	$2.12	$2.34	$2.71	16.7%
Cash distribution per limited partner unit (declared)	$0.79	$1.00	$1.25	$1.56	$1.91	$2.23	23.1%
Distributions declared	117.4	193.1	298.5	449.7	637.9	845.8	48.4%
Distribution coverage ratio	1.5x	1.4x	1.4x	1.3x	1.1x	1.1x	
Debt/EBITDA (LTM)	0.0x	1.6x	2.1x	2.7x	3.0x	3.1x	
Capital expenditures	16.2	41.3	49.5	69.9	89.7	117.6	
Acquisitions	179.8	443.7	1000.0	1500.0	1800.0	2200.0	
Adjusted EBITDA YoY growth		64%	52%	39%	36%	34%	
Distributable cash flow YoY growth		47%	52%	38%	30%	31%	
Distributable cash flow per unit YoY growth		18%	25%	16%	10%	16%	
Cash distribution per unit YoY growth		27%	25%	25%	22%	17%	

Source: Mizuho Securities USA, Inc, company reports.

Sunoco Logistics Partners (SXL): Initiate Coverage with a Neutral Rating and $30 Price Target

Investment Thesis

We are initiating coverage of SXL with a Neutral rating and $30 price target. Our $30 price target is based on the average of our $33 discounted cash flow model (9.75% discount rate) and $27 EV/EBITDA (14x multiple on 2017) valuation methodologies. SXL is a diversified, investment grade midstream MLP with strategically located assets, primarily fee-based transportation and storage cash flows and competitive distribution growth. SXL provides exposure to NGL volume growth in the Marcellus/Utica through its Mariner East and West system and crude volume growth in the Permian. Combining contributions from organic projects and expected moderate commodity price recovery, we expect SXL to post 7% distribution CAGR to 2019. In our opinion, SXL's positive attributes are partially offset by valuation, financing needs and tighter distribution coverage.

Company Description

SXL is a mid-cap midstream crude oil, refined products and NGL pipeline and storage MLP headquartered in Newtown Square, PA. The Partnership has been a publicly traded MLP since 2002. SXL's midstream asset base is comprised of 5,900 miles of crude oil pipelines in Texas and Oklahoma, 900 miles of NGLs pipelines primarily related to the Mariner systems in Marcellus/Utica shale plays and the Gulf Coast and 1,800 miles of refined products pipelines in the Northeast, Midwest regions and Texas. Additionally, SXL will own a 15.3% interest in the 470 mb/d Bakken Pipeline Project. The Partnership's cash flow mix (LTM) is 56% Crude Oil, 27% NGLs and 17% Refined Products. In 2Q16, SXL transported 3.1 mmb/d of crude oil, products and NGLs on its pipeline systems.

Valuation

SXL trades at a slight premium to our MLP coverage universe. On EV/Adjusted EBITDA 2017e basis, trades at 14.7x vs. 13.4x our universe. On P/DCF 2017e basis, 12.9x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 7.2% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.04x vs. 1.16x universe.

Management

Marshall McCrea, III, Chairman

McCrea has been Chairman of the Board of SXL's GP since 2012. He is also the Group COO and Chief Commercial Officer of ETE's GP. McCrea previously served as President, COO and as President - Midstream of ETP's GP from 2007 to 2015.

McCrea has extensive project development and operational experience, having held various positions with Energy Transfer companies since 1997.

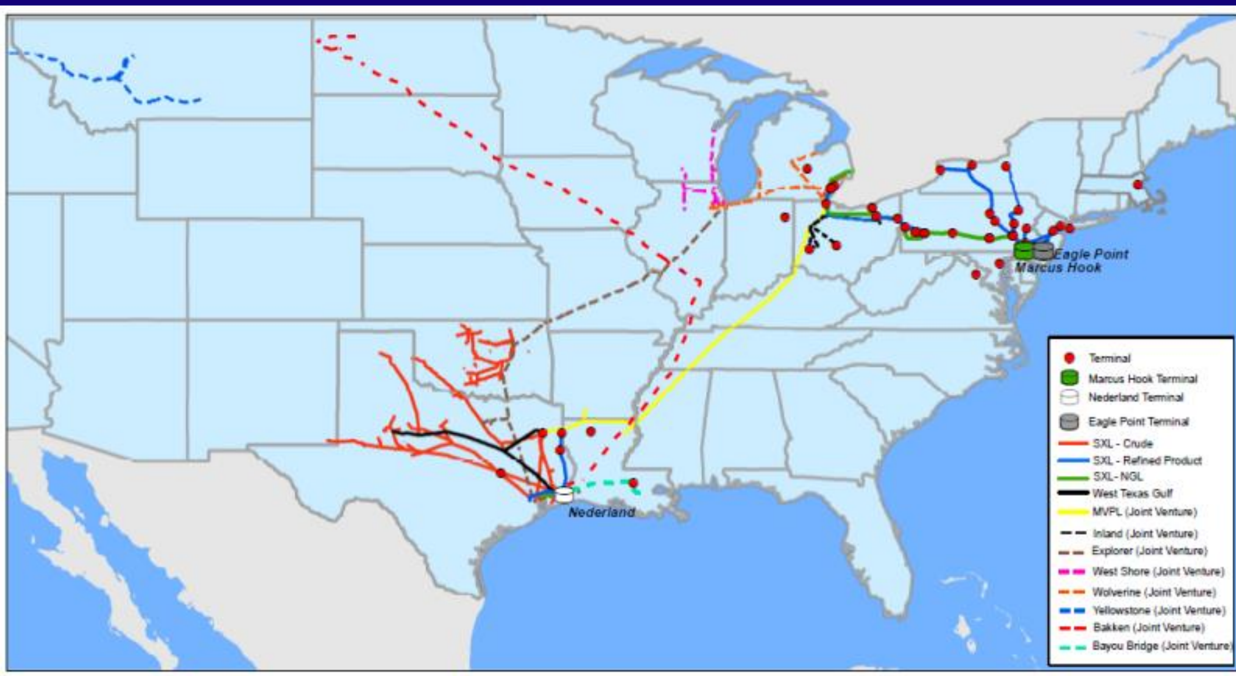
Michael Hennigan, President & CEO

Hennigan has been President and CEO since 2012. Prior to that, he was President and COO from 2010 to 2012 and VP Business Development from 2009 to 2010. Hennigan previously held various positions in Business Improvement and Supply, Trading, Sales and Transportation at Sunoco, Inc. since 2006.

Peter Gvazdauskas, CFO

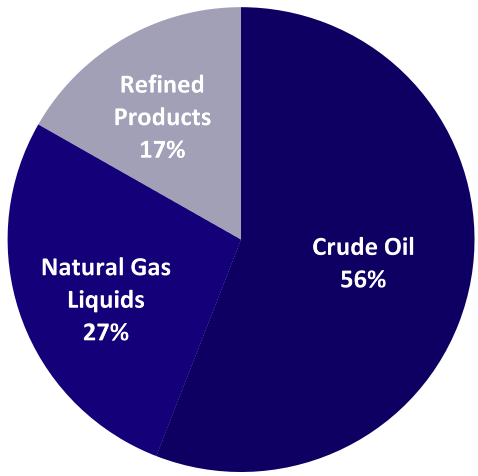
Gvazdauskas has served as CFO since 2015 and Treasurer since 2012. He had been VP Finance since 2010. Prior to that, Gvazdauskas held management positions in Corporate Finance and Special Projects at Sunoco, Inc. and was Controller of SunCoke Energy, Inc.

Figure 127: SXL Asset Map



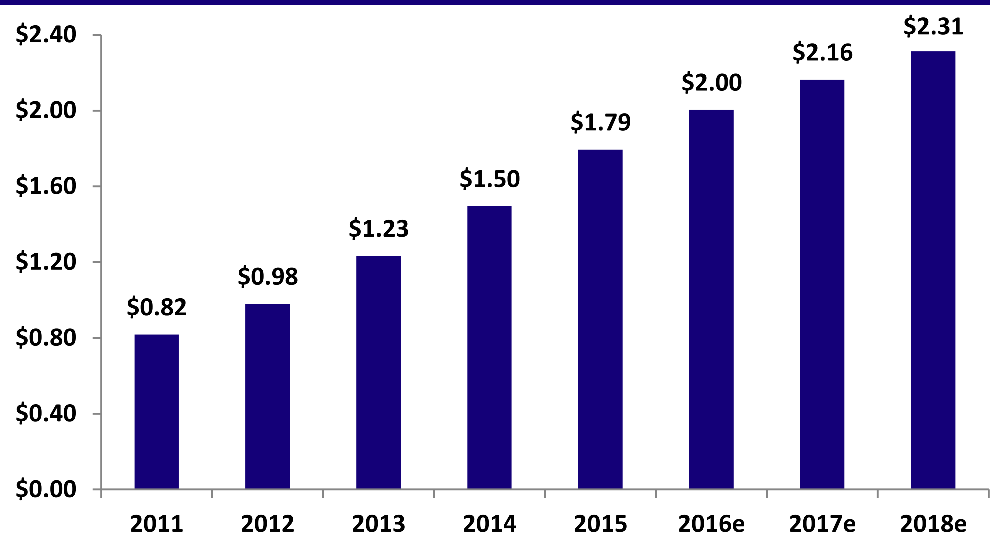
Source: Company reports

Figure 128: SXL Cash Flow Mix (LTM)



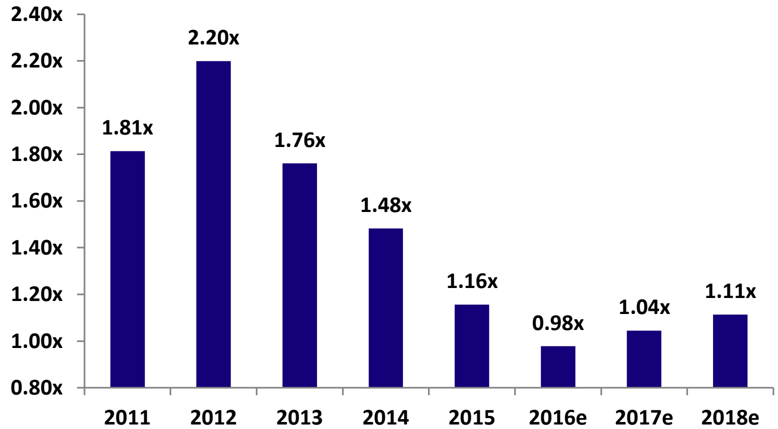
Source: Company reports

Figure 129: SXL Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 130: SXL Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 131: Top 10 Owner SXL Unitholders

SXL	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	11.1%	33.1	911
Bicknell Family Holding Co. LLC	9.2%	27.4	753
The Goldman Sachs Group, Inc.	5.5%	16.5	455
DST Systems, Inc.	4.5%	13.6	373
Kayne Anderson Investment Management, Inc.	3.4%	10.2	280
Chickasaw Capital Management LLC	2.5%	7.5	207
ING Groep NV	2.3%	6.8	186
UBS Group AG	2.2%	6.7	184
Center Coast Capital Holdings LLC	1.8%	5.4	150
Salient Holdings GP LLC	1.6%	4.9	135
Total	**44.3%**	**132.0**	**3,634**

Source: FactSet

Figure 132: SXL Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	871.0	971.0	1153.0	1252.8	1578.4	1928.5	2062.4	2208.2	13.9%
Interest expense	(77.0)	(67.0)	(134.0)	(161.0)	(200.4)	(241.8)	(285.7)	(318.4)	18.9%
Income tax expense	(24.0)	(29.0)	(15.0)	(19.8)	(25.0)	(32.4)	(34.4)	(36.9)	19.7%
Maintenance capital	(53.0)	(76.0)	(84.0)	(72.0)	(80.0)	(91.0)	(103.0)	(117.0)	6.9%
Distributable cash flow	664.0	756.0	874.0	953.0	1228.0	1517.4	1592.4	1688.1	14.1%
Distributable cash flow per limited partner unit	$2.60	$2.67	$2.31	$1.91	$2.26	$2.76	$2.67	$2.68	3.0%
Cash distribution per limited partner unit (declared)	$1.23	$1.50	$1.79	$2.00	$2.16	$2.31	$2.47	$2.60	7.7%
Distributions declared	377.0	510.0	756.0	974.6	1175.4	1362.8	1520.3	1659.4	17.0%
Distribution coverage ratio	1.8x	1.5x	1.2x	1.0x	1.0x	1.1x	1.0x	1.0x	
Debt/EBITDA (LTM)	2.9x	4.4x	4.8x	4.7x	4.1x	3.6x	3.5x	3.5x	
Capital expenditures	897.0	2416.0	2706.0	1490.0	1280.0	941.0	853.0	917.0	
Acquisitions	60.0	391.0	131.0	760.0	0.0	0.0	0.0	0.0	
Adjusted EBITDA YoY growth	8%	11%	19%	9%	26%	22%	7%	7%	
Distributable cash flow YoY growth	9%	14%	16%	9%	29%	24%	5%	6%	
Distributable cash flow per unit YoY growth	1%	3%	-13%	-17%	18%	22%	-3%	0%	
Cash distribution per unit YoY growth	26%	21%	20%	12%	8%	7%	7%	5%	

Source: Mizuho Securities USA, Inc, company reports.

Sunoco LP (SUN): Initiate Coverage with a Neutral Rating and $31 Price Target

Investment Thesis

We are initiating coverage of SUN with a Neutral rating and $31 price target. Our price target is based on the average of our $35 discounted cash flow model (10.75% discount rate) and $27 EV/EBITDA (11x multiple on 2017) valuation methodologies. SUN offers a healthy 11% yield and exposure to relatively stable wholesale and retail fuels distribution. Our rating is driven by high leverage from acquisitions and muted distribution growth over the next few years. That being said, we do not expect the distribution to be reduced. So for patient, income-oriented investors, SUN provides a double-digit yield.

Company Description

SUN is a small-cap midstream motor fuels wholesale/retail and merchandise retail MLP headquartered in Houston, Texas. The Partnership has been a publicly traded MLP since 2012. SUN's distribution network is comprised of ~1340 convenience stores/fuel outlets and wholesale fuel operations with ~7,400 dealers, distributors and commercial customers in more than 30 states, focusing in the East Coast, Midwest, Southeast regions and Hawaii. The Partnership's cash flow mix (LTM) is 52% Wholesale and 48% retail. SUN is part of the Energy Transfer family with its GP owned by ETE and LP 46% owned by ETP.

Valuation

SUN trades at a discount to our MLP coverage universe due to high leverage and tight distribution coverage. On an EV/Adjusted EBITDA 2017e basis, SUN trades at 11.3x vs. 13.4x our universe. On P/DCF 2017e basis, SUN trades at 8.9x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), SUN offers a 0.6% growth rate vs. 8.8% our universe. SUN distribution coverage 2017e is 1.01x vs. 1.16x universe.

Management

Matthew Ramsey, Chairman

Ramsey has been Chairman of the Board of SUN's GP and President and COO of ETP's GP since 2015. Prior to joining ETP, Ramsey served as President of RPM Exploration, a private oil and gas exploration partnership, and as President of DDD Energy until its sale in 2002. Ramsey had also served in executive positions at OEC Compression Corporation, Nuevo Energy and Torch Energy Advisors since 1992.

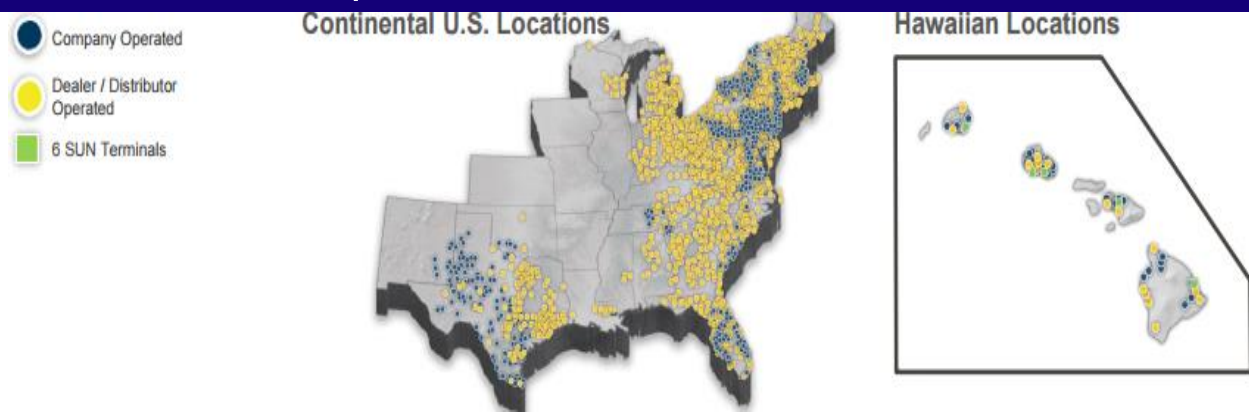
Robert Owens, CEO

Owens has been President and CEO SUN's GP since 2014 and CEO of Sunoco, Inc. since 2012. He previously served as SVP Marketing of Sunoco Inc., which was acquired by ETP in 2012. Prior to joining Sunoco, Inc. in 1997, Owens held executive positions at Ultramar Diamond Shamrock, Amerada Hess and Mobil Oil Corporation.

Thomas Miller, CFO

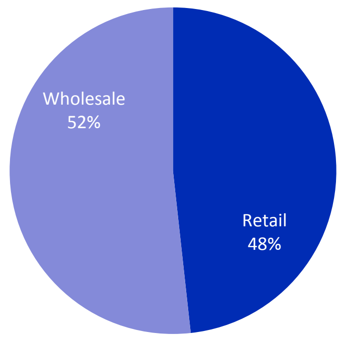
Miller became CFO of SUN in May 2016. Prior to joining SUN, Miller served as CFO and Treasurer of Cleco Corporation and Cleco Power LLC, SVP and Treasurer of Solar Trust of America, and VP of Treasury at Exelon Corporation from 2002 to 2016.

Figure 133: SUN Asset Map



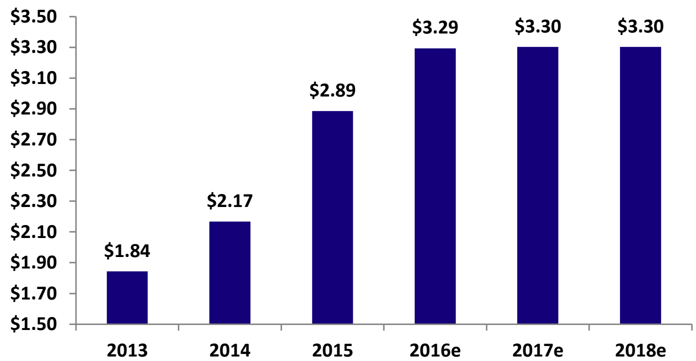
Source: Company reports

Figure 134: SUN Cash Flow Mix (LTM)



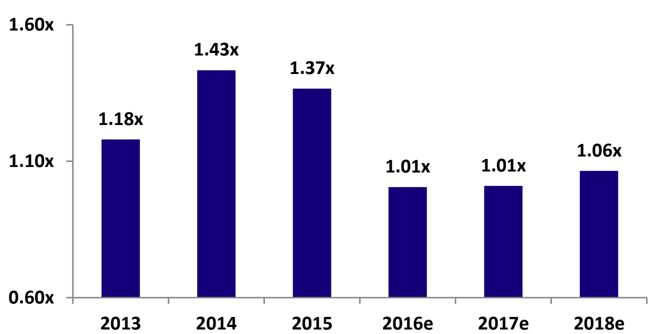
Source: Company reports

Figure 135: SUN Cash Distribution per unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 136: SUN Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 137: Top 10 Owners SUN Unitholders

SUN	% of Unit Outstanding	Million shares	Market Value, $mm
Massachusetts Mutual Life Insurance Co.	15.9%	15.2	448
Citigroup, Inc.	5.8%	5.5	162
The Goldman Sachs Group, Inc.	3.6%	3.4	101
Morgan Stanley	3.3%	3.2	94
Magnetar Capital Partners LP	2.4%	2.3	67
Piper Jaffray Cos.	1.7%	1.7	49
Bank of America Corp.	1.6%	1.5	45
Kayne Anderson Investment Management, Inc.	1.5%	1.4	42
Royal Bank of Canada	1.2%	1.1	33
Tudor, Pickering, Holt & Co. LLC	1.1%	1.0	30
Total	**38.1%**	**36.3**	**1,073**

Source: FactSet

Figure 138: SUN Summary Model

(units in million $ unless otherwise noted)

	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Adjusted EBITDA	51.9	110.7	379.0	684.0	767.2	829.6	931.9	1047.1
Interest expense	(3.1)	(11.2)	(76.2)	(172.3)	(225.8)	(240.2)	(263.2)	(346.7)
Income tax expense	(0.3)	(3.3)	18.4	(12.4)	(19.7)	(23.4)	(29.1)	(30.4)
Maintenance capital	(0.8)	(4.8)	(31.2)	(103.6)	(108.8)	(117.5)	(122.1)	(127.0)
Distributable cash flow	47.7	90.6	266.1	395.7	412.9	448.6	517.4	542.9
Distributable cash flow per limited partner unit	$2.18	$3.55	$4.68	$3.40	$3.34	$3.57	$3.83	$3.58
Cash distribution per limited partner unit (declared)	$1.84	$2.17	$2.89	$3.29	$3.30	$3.30	$3.35	$3.43
Distributions declared	40.4	63.2	198.7	394.8	409.0	421.6	464.8	525.1
Distribution coverage ratio	1.2x	1.4x	1.4x	1.0x	1.0x	1.1x	1.1x	1.0x
Debt/EBITDA (LTM)	3.6x	7.9x	5.2x	6.8x	6.3x	6.0x	5.7x	5.4x
Capital expenditures	113.6	171.3	368.4	484.9	408.8	417.5	422.1	427.0
Acquisitions	0.0	741.4	1919.0	2577.2	0.0	0.0	300.0	400.0
Adjusted EBITDA YoY growth	0%	113%	242%	80%	12%	8%	12%	12%
Distributable cash flow YoY growth	0%	90%	199%	46%	4%	9%	15%	5%
Distributable cash flow per unit YoY growth	0%	63%	32%	-27%	-2%	7%	7%	-7%
Cash distribution per unit YoY growth	0%	18%	33%	14%	0%	0%	2%	2%

Source: Mizuho Securities USA, Inc, company reports.

Tesoro Logistics (TLLP): Initiate Coverage with a Buy Rating and $58 Price Target

Investment Thesis

We are initiating coverage of TLLP with a Buy rating and $58 price target. Our $58 price target is based on the average of our $58 discounted cash flow model (9.75% discount rate) and $58 EV/Adjusted EBITDA (13.5x multiple on 2017) valuation methodologies. TLLP offers a healthy yield, competitive growth at a reasonable price and a parent that continues to pursue midstream growth opportunities. While we expect TLLP's distribution growth rate to decline from 17% in 2016 to a 9% CAGR through 2019 due to its larger size and GP distribution, we believe the stock is undervalued at current levels. We believe a potential catalyst in the next 1-2 years is a change in the GP distribution structure to improve TLLP's equity cost of capital enhancing long-term growth prospects.

Company Description

TLLP is a mid-cap midstream refined products/crude oil terminalling and transportation and crude oil/gas gathering and processing MLP headquartered in San Antonio, TX. The Partnership has been a publicly traded MLP since 2011. TLLP's asset base is comprised of crude oil and products terminals totaling 1.9 mmb/d throughput capacity in the Western and Midcontinent regions and Alaska, 990 miles of product pipeline system in the West and Alaska connecting to TSO refineries, more than 215 mb/d crude oil gathering, 2.9 bcf/d gas gathering and 1.6 bcf/d gas processing capacity in the Bakken as well as in Green River, Wyoming and the Uinta basin in Colorado. The Partnership's cash flow mix (LTM) is 49% Terminalling & Transportation, 29% Gathering and 22% Processing.

Valuation

TLLP trades at a discount to our MLP coverage universe. On EV/Adjusted EBITDA 2017e basis, trades at 12.1x vs. 13.4x our universe. On P/DCF 2017e basis, 11.5x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a 8.7% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.06x vs. 1.16x universe.

Management

Gregory Goff, Chairman & CEO

Goff has been CEO and Chairman of TLGP since 2010. Goff has also served as CEO and President of Tesoro since 2010, and Chairman of Tesoro 2014. Prior to joining Tesoro, Goff had served as SVP Commercial and held various other senior positions at ConocoPhillips since 1981 in its specialty businesses, UK refining and marketing affiliate, Europe and Asia Pacific downstream operations, U.S. Lower 48 and Latin America E&P.

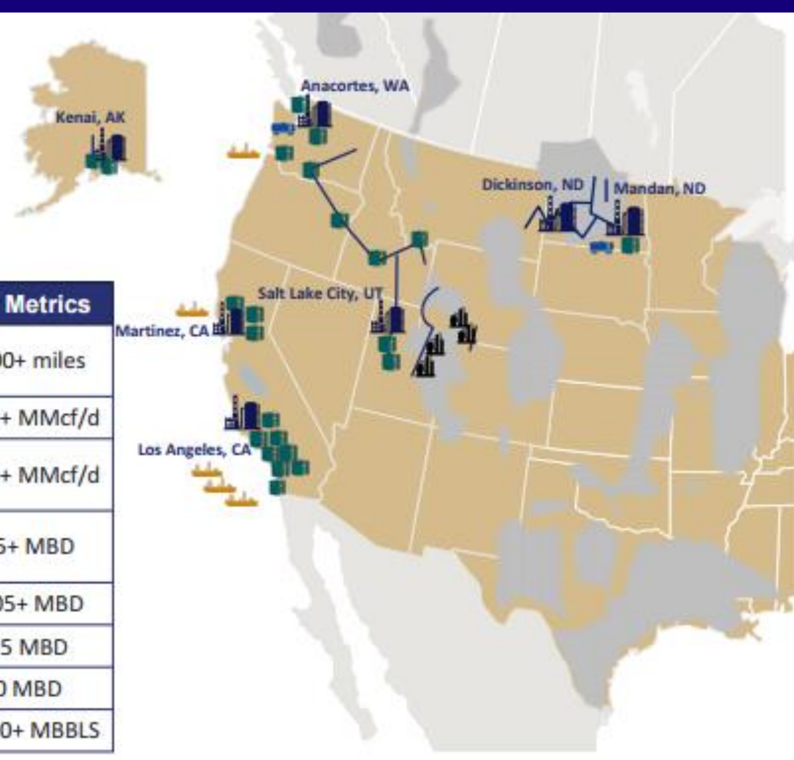
Phillip Anderson, President

Anderson was served as President and member of the board of directors since December 2010. He has served in various management positions at Tesoro including strategy, finance and treasury. Anderson joined Tesoro in 1998. Prior to Tesoro, Anderson worked at Ford Motor Company in a variety of financial roles.

Steven Sterin, CFO

Sterin has been VP and CFO of TLGP and EVP and CFO of TSO since 2014. Prior to Tesoro, Mr. Sterin was SVP and CFO for Celanese Corporation from 2007 until 2014. Sterin joined Celanese in 2003 as Director of Finance and Controller for the Celanese's chemical business after spending six years with the global chemicals company Reichhold, Inc. in a variety of financial positions.

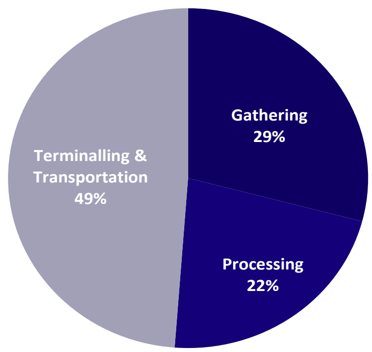
Figure 139: TLLP Asset Map



	Key Metrics
Crude oil, refined product and natural gas pipelines	4,000+ miles
Natural gas throughput capacity	2,900+ MMcf/d
Natural gas inlet processing capacity	1,400+ MMcf/d
Crude oil gathering pipeline throughput	215+ MBD
Marketing terminal capacity	1,005+ MBD
Marine terminal capacity	795 MBD
Rail terminal capacity	50 MBD
Dedicated storage capacity	18,500+ MBBLS

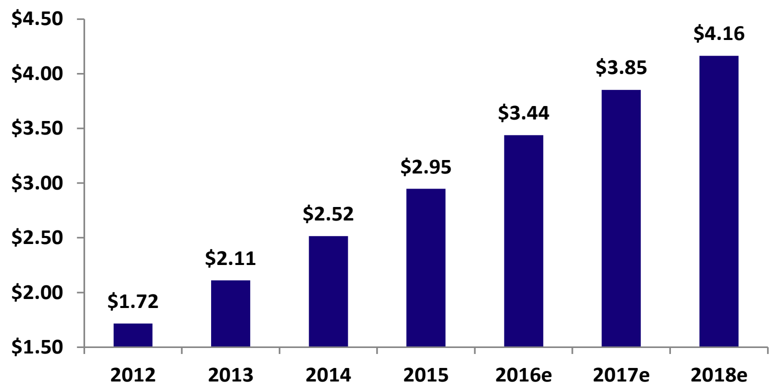
Source: Company reports

Figure 140: TLLP Cash Flow Mix



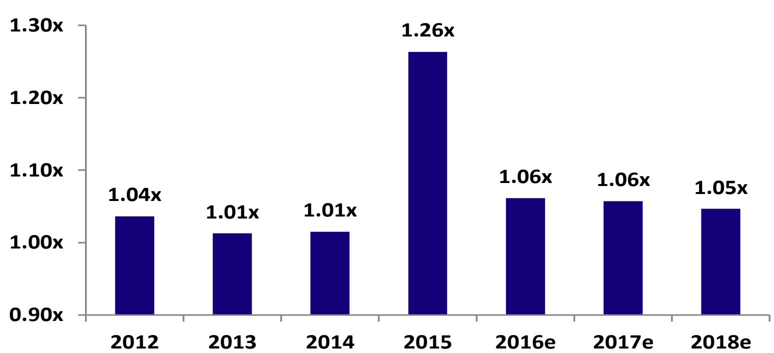
Source: Company reports

Figure 141: TLLP Cash Distribution per unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 142: TLLP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 143: Top 10 TLLP Unitholders

TLLP	% of Unit Outstanding	Million shares	Market Value, $mm
Bicknell Family Holding Co. LLC	10.1%	10.2	488
Massachusetts Mutual Life Insurance Co.	8.8%	8.9	428
The Goldman Sachs Group, Inc.	5.4%	5.5	262
Center Coast Capital Holdings LLC	5.0%	5.1	245
Morgan Stanley	3.8%	3.8	183
DST Systems, Inc.	3.7%	3.8	182
Harvest Fund Advisors LLC	3.7%	3.7	180
UBS Group AG	3.0%	3.0	145
Piper Jaffray Cos.	2.5%	2.5	120
Eagle Global Advisors LLC	1.8%	1.9	90
Total	**47.8%**	**48.4**	**2,323**

Source: FactSet

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Figure 144: TLLP Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	161.1	318.2	636.0	744.1	978.7	1125.1	1274.2	1437.2	17.7%
Interest expense	(39.6)	(109.4)	(150.0)	(190.8)	(233.6)	(258.1)	(283.9)	(313.7)	15.9%
Income tax expense									
Maintenance capital	(13.7)	(44.1)	(54.0)	(60.0)	(68.5)	(78.8)	(93.0)	(104.9)	14.2%
Distributable cash flow	117.2	220.1	422.0	530.2	682.6	794.3	903.4	1024.6	19.4%
Distributable cash flow per limited partner unit	$2.22	$2.91	$4.09	$3.81	$4.19	$4.46	$4.76	$5.12	4.6%
Cash distribution per limited partner unit (declared)	$2.11	$2.52	$2.95	$3.44	$3.85	$4.16	$4.42	$4.64	9.5%
Distributions declared	115.7	216.9	334.0	499.6	645.7	759.0	861.7	962.7	23.6%
Distribution coverage ratio	1.01x	1.01x	1.26x	1.06x	1.06x	1.05x	1.05x	1.06x	
Debt/EBITDA (LTM)	7.2x	8.1x	4.5x	4.6x	3.9x	3.8x	3.7x	3.6x	
Capital expenditures	72.2	199.0	310.0	254.0	218.5	258.8	293.0	334.9	
Acquisitions	314.8	2479.0	6.0	844.0	800.0	700.0	650.0	700.0	
Adjusted EBITDA YoY growth	110%	97%	100%	17%	32%	15%	13%	13%	
Distributable cash flow YoY growth	75%	88%	92%	26%	29%	16%	14%	13%	
Distributable cash flow per unit YoY growth	11%	31%	41%	-7%	10%	7%	7%	8%	
Cash distribution per unit YoY growth	23%	19%	17%	17%	12%	8%	6%	5%	

Source: Mizuho Securities USA, Inc, company reports.

Valero Energy Partners (VLP): Initiate Coverage with a Buy Rating and $57 Price Target

Investment Thesis

We are initiating coverage of VLP with a Buy rating and $57 price target. Our $57 price target is based on the average of our $58 discounted cash flow model (9.75% discount rate) and $57 EV/Adjusted EBITDA (16x multiple on 2017) valuation methodologies. VLP offers above-average cash flow growth and stability at a reasonable valuation. The Partnership is well positioned to achieve our 23% cash distribution CAGR (3-year) estimate supported by a $1 billion EBITDA dropdown inventory, which is 4x current EBITDA, and healthy distribution coverage of 2x. Strong cash flow stability backed by primarily long-term, take-or-pay contracts with investment grade parent Valero Energy (VLO), no direct commodity price exposure, midstream assets integrated with VLO's refineries and a solid balance sheet..

Company Description

VLP is a small cap midstream crude oil/refined products pipeline and storage MLP headquartered in San Antonio, TX. The Partnership's assets are comprised of crude oil and refined products pipelines and terminals in the Gulf Coast and Mid-Continent integrated with the operations of nine Valero's refineries. VLP has been a publicly traded MLP since 2013. The Partnership's cash flow mix is 74% terminalling (storage), 26% pipeline transportation. The $1 billion EBITDA drop down inventory (assets currently owned by parent VLO) are comprised of 1,200 miles of pipelines, a 50% interest in 440-mile Diamond crude pipe entering service 4Q17, approximately 70 mm barrels of crude/product storage capacity, 51 docks, 2 Panamax class vessels, wholesale fuels marketing business with 800 mb/d volume, 5,300 rail cars to transport ethanol, asphalt, and other products, 3 crude rail terminals.

Valuation

VLP trades at a slight discount to our MLP coverage universe despite above-average growth, distribution coverage and stability. On EV/Adjusted EBITDA 2017e basis, trades at 13.1x vs. 13.4x our universe. On P/DCF 2017e basis, 11.2x vs. 12.9x our coverage universe. On a 3-year distribution CAGR basis (2016-19e), offers a22.6% growth rate vs. 8.8% our universe. Distribution coverage 2017e is 1.76x vs. 1.16x universe.

Management

Joseph Gorder, Chairman & CEO

Gorder has been Chairman of the Board since 2014 and CEO of VLP's GP since 2013. He has also been Chairman of the Board, President and CEO of Valero since 2014. Gorder has 27 years of service with Valero and related companies, having formerly served as Valero's COO, led Valero's European operations, and held various senior roles in Marketing and Supply, Corporate Development and Strategic Planning.

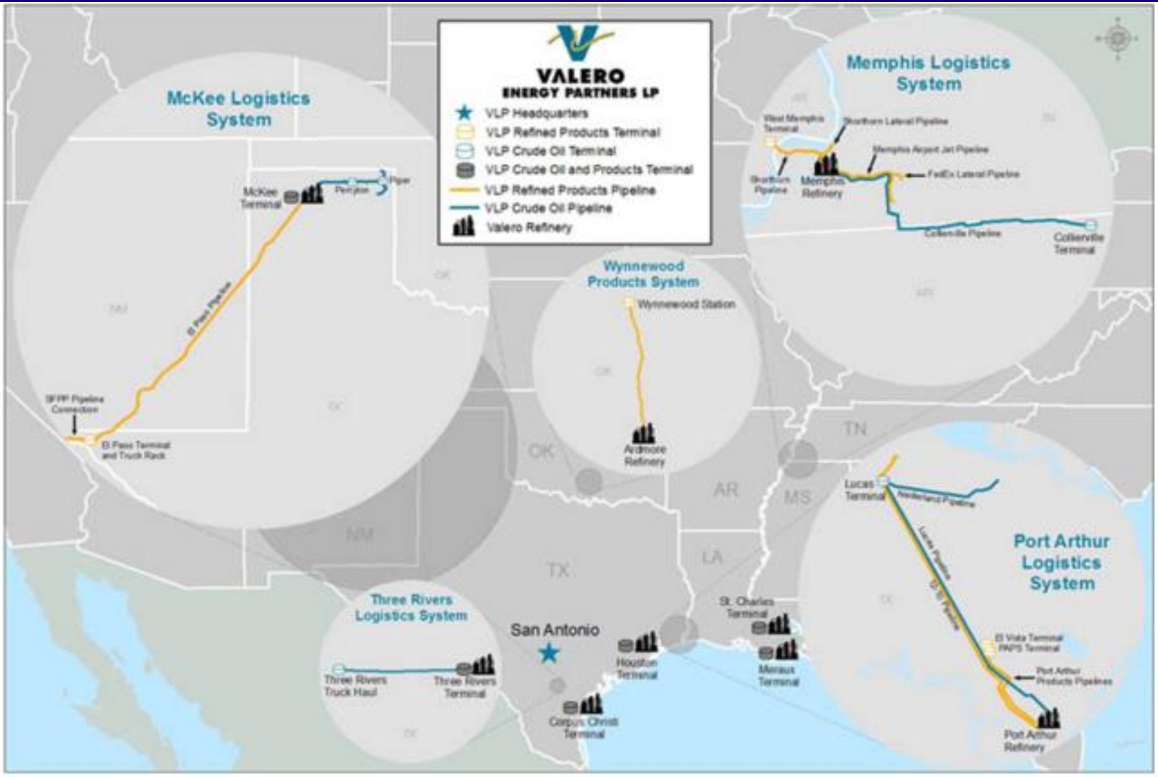
Rich Lashway, President & COO

Lashway was appointed President, Chief Operating Officer and Director of the general partner in September 2013. He has 16 years of service with Valero, including with UDS, and serves as Vice President-Logistics Operations for the Valero family of companies where he is responsible for developing and managing logistics projects. Lashway has served in corporate development roles, including the initial public offering of Shamrock Logistics L.P., the predecessor to NuStar, and its acquisition of Kaneb Pipe Line Partners L.P.

Donna Titzman, CFO & Treasurer

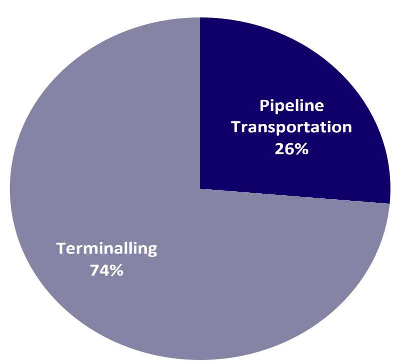
Titzman has been CFO and Treasurer of VLP's GP since 2013. Titzman also serves as SVP and Treasurer of Valero where she has responsibility for banking, cash management, customer credit, and investment management. Titzman joined Valero in 1986 and held various leadership positions before being appointed VP and Treasurer in 1999.

Figure 145: VLP Asset Map



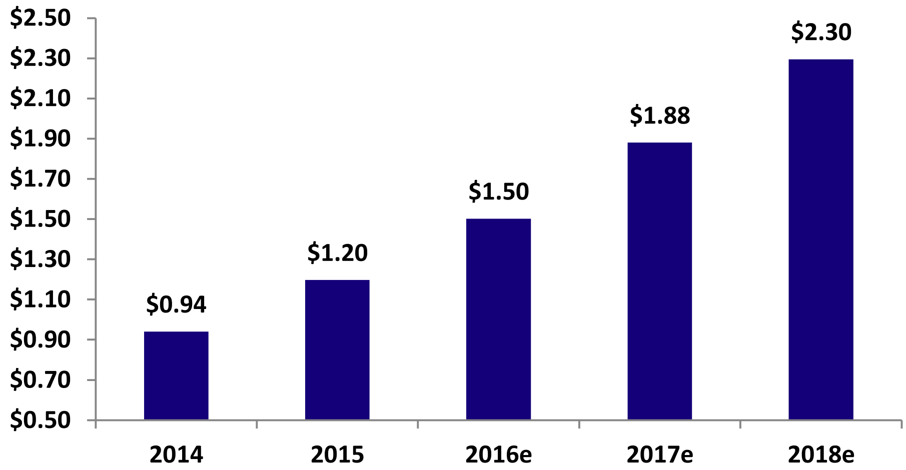
Source: Company reports

Figure 146: VLP Cash Flow Mix (LTM)



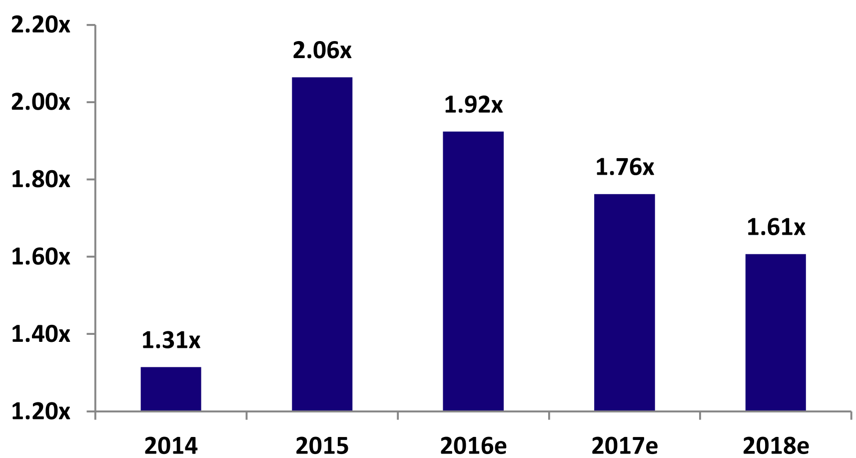
Source: Company reports

Figure 147: VLP Cash Distribution per Unit



Source: Mizuho Securities USA, Inc, company reports.

Figure 148: VLP Distribution Coverage Ratio



Source: Mizuho Securities USA, Inc, company reports.

Figure 149: Top 10 VLP Unitholders

VLP	% of Unit Outstanding	Million shares	Market Value, $mm
Bicknell Family Holding Co. LLC	7.3%	4.9	215
The Goldman Sachs Group, Inc.	5.6%	3.8	165
Chickasaw Capital Management LLC	2.4%	1.6	71
Harvest Fund Advisors LLC	2.0%	1.3	58
Tudor, Pickering, Holt & Co. LLC	1.3%	0.9	38
Baron Capital Group, Inc.	1.3%	0.9	38
Canadian Imperial Bank of Commerce	1.2%	0.8	34
Morgan Stanley	0.9%	0.6	27
Center Coast Capital Holdings LLC	0.7%	0.5	20
Kayne Anderson Investment Management, Inc.	0.7%	0.5	20
Total	**23.2%**	**15.6**	**686**

Source: FactSet

Figure 150: VLP Summary Model

(units in million $ unless otherwise noted)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	5-year CAGR
Adjusted EBITDA	2.6	75.4	171.0	258.2	379.8	507.0	650.9	822.1	36.9%
Interest expense	(0.2)	(0.9)	(6.1)	(14.1)	(33.2)	(54.0)	(80.7)	(112.4)	79.0%
Income tax expense	(1.2)	(0.5)	(0.3)	(1.4)	(1.9)	(2.4)	(3.0)	(3.6)	70.6%
Maintenance capital	0.0	4.5	3.9	10.6	19.0	25.3	32.5	45.2	62.8%
Distributable cash flow	2.6	73.0	162.2	234.1	327.6	427.6	537.7	664.4	32.6%
Distributable cash flow per limited partner unit	$0.04	$1.24	$2.62	$3.21	$3.86	$4.37	$4.80	$5.15	14.5%
Cash distribution per limited partner unit (declared)	$0.04	$0.94	$1.20	$1.50	$1.88	$2.30	$2.77	$3.32	22.6%
Distributions declared	2.2	55.5	78.6	121.7	185.9	266.1	367.1	497.5	44.6%
Distribution coverage ratio	1.19x	1.31x	2.06x	1.92x	1.76x	1.61x	1.46x	1.34x	
Debt/EBITDA (LTM)	0.0x	0.0x	3.2x	3.5x	3.3x	3.3x	3.4x	3.4x	
Capital expenditures	13.8	11.2	31.0	19.2	27.0	35.3	43.5	58.2	
Acquisitions	0.0	80.1	390.1	376.4	750.0	1000.0	1100.0	1300.0	
Adjusted EBITDA YoY growth			127%	51%	47%	34%	28%	26%	
Distributable cash flow YoY growth			122%	44%	40%	31%	26%	24%	
Distributable cash flow per unit YoY growth			111%	22%	20%	13%	10%	7%	
Cash distribution per unit YoY growth			27%	25%	25%	22%	21%	20%	

Source: Mizuho Securities USA, Inc, company reports.

Risks

Low commodity prices

An extended period of low oil and natural gas liquids prices negatively impacts margin-based cash flows (such as gas gathering and processing), fee-based cash flows (such as lower drilling activity reducing transportation, storage and processing volumes for assets not under take-or-pay contracts) and MLP sector valuation.

Lower oil, natural gas, natural gas liquids demand

Could pose volume risks for midstream MLPs, with potential sources of lower demand from weak economic conditions, adverse weather, government regulations, competition from renewable energy and electric vehicles.

Higher cost of capital

A higher cost of capital could lower future MLP cash flow and distribution growth rates. With the majority of free cash flow paid in the form of a cash distribution, most MLPs rely on external capital to finance the bulk of expansion capex.

Higher interest rates

While the US Federal Reserve has stated rate increases will be gradual, significantly higher interest rates would raise MLP cost of capital and could negatively impact valuation similar to other income-oriented asset classes. However, MLP distribution growth should somewhat offset the impact of higher interest rates.

Competition

Many companies (MLPs, C-corps, private) participate in the midstream sector which could lead to infrastructure overcapacity and lower revenues in some regions.

Counterparty risk

In a low commodity price environment, risk of nonpayment and non-performance by customers (such as energy producers) rises. Midstream companies with customer concentration could be at higher risk, depending on the counterparty credit quality.

Higher construction costs

Construction cost overruns for organic infrastructure projects could negatively impact future MLP returns and growth rates

Dilutive acquisitions

Future acquisitions potentially not meeting accretion targets due to capital market, competitive, integration or valuation risk factors.

Regulatory

More stringent U.S. and Canadian government regulations could reduce energy production and infrastructure project development that in turn could negatively impact future MLP cash flow and distribution growth.

Tax policy

Removal of MLP-tax advantaged status would negatively impact MLP sector growth and valuation. While the federal government may reform the corporate tax code in the future, we do not expect MLP tax status to change.

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Neutral:	Stocks for which the anticipated share price appreciation is within 10% of the share price.
Underperform:	Stocks for which the anticipated share price falls by 10% or more.
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Rating Distribution

(As of 9/28)	**% of coverage**	**IB service past 12 mo**
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Hold (Neutral)	56.44%	28.35%
Sell (Underperform)	2.67%	33.33%

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