

In Focus

The Case for Owning Midstream Energy



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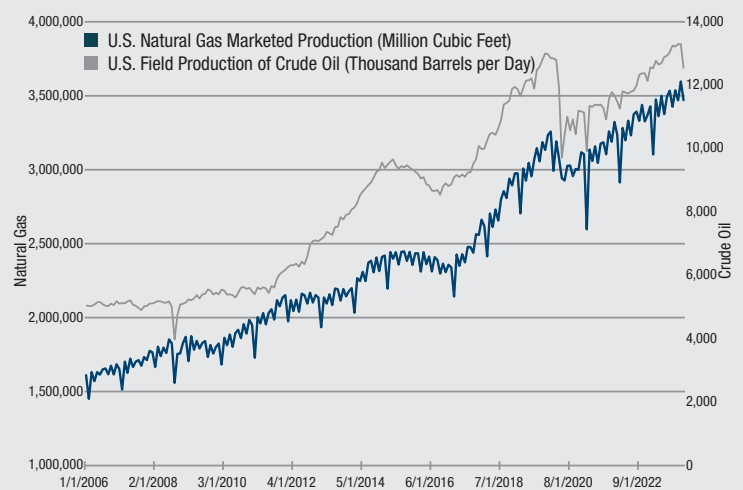
America is in the middle of an energy revolution

Thanks to American entrepreneurialism, the International Energy Agency expects that the U.S. will soon be the world's biggest natural gas exporter. The American Chemistry Council reports that cheap energy is making us a leader in plastics, and the U.S. Department of Energy (DOE) projects that within a decade we may be a net exporter of crude oil.

Growing Production

Growing production of crude oil, natural gas and natural gas liquids is increasing the need for new infrastructure to move, process and store this output. This in turn reduces the need for the U.S. to rely on imports to meet its energy needs.

U.S. Crude Oil and Natural Gas Production (as of January 2024)



Source: <https://www.eia.gov/dnav/ng/hist/n9050us2M.htm>

U.S. oil production started to rise in 2008, and the next seven years marked the fastest oil and gas production increase in U.S. history. The U.S. began exporting finished products and even crude oil into the market.

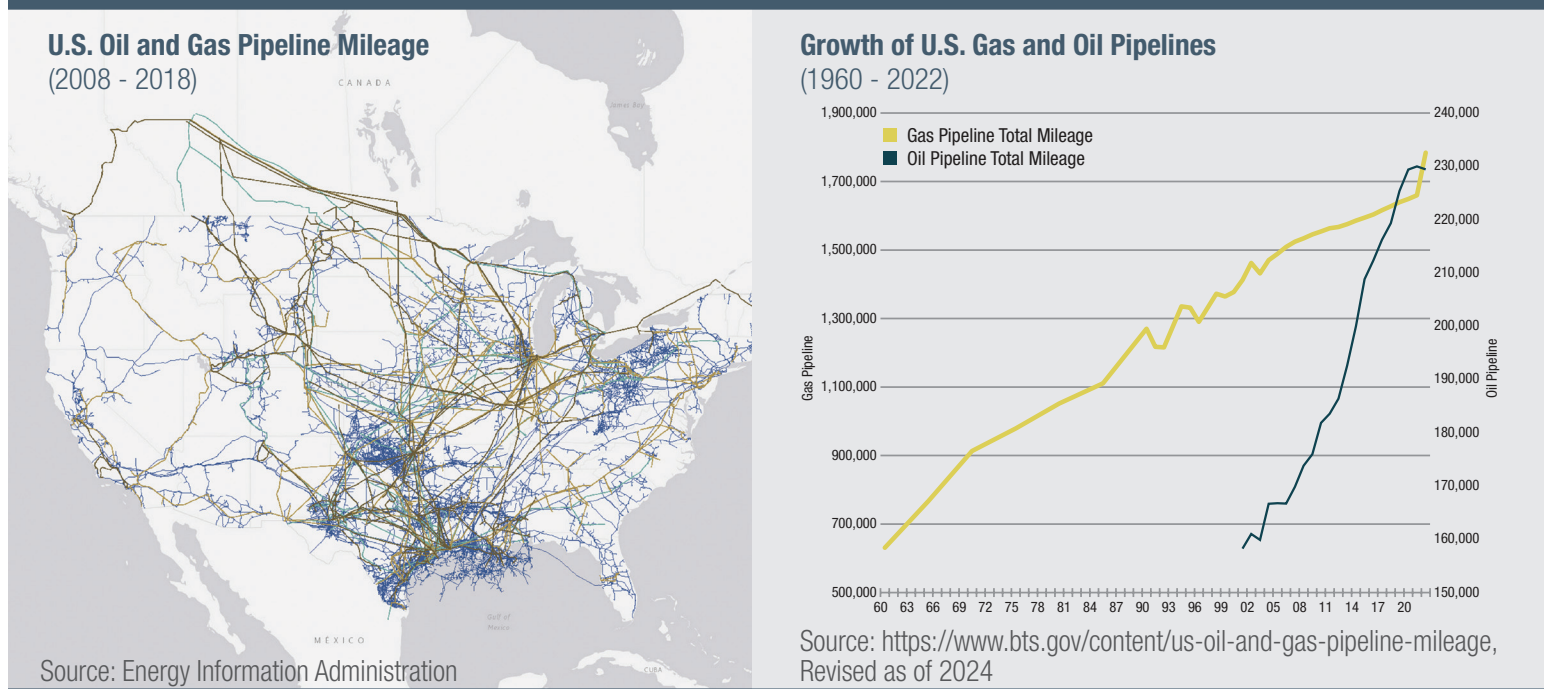
3 Stages of Oil and Gas Industry Operations



- **Upstream:** extracting oil and natural gas from the ground
- **Midstream:** processing, storing, transporting and marketing of oil, natural gas and natural gas liquids
- **Downstream:** converting these resources into the fuels and finished products we use in daily life

Vast Network of Pipelines

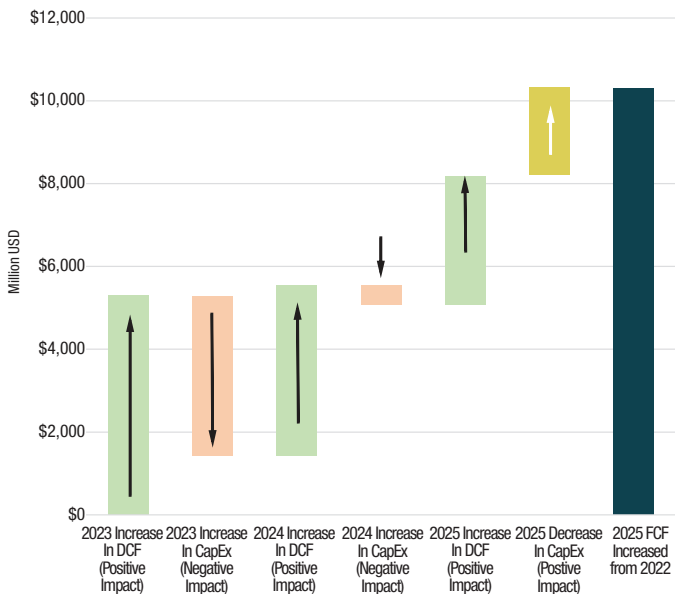
Due to this growth a huge network of pipelines has been built across North America to support midstream activities.



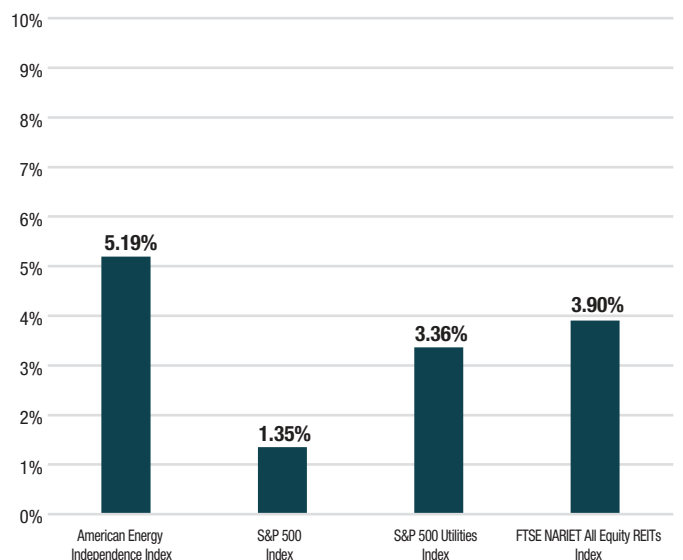
Due to the mature nature of the current pipeline system, capital expenditures are expected to slow which is expected to increase free cash flow for the next three years.

Midstream energy infrastructure companies may generate significant cash flows from long-term contracts supporting high dividend payouts.

Incremental Estimated FCF Changes From 2022 - 2025 (as of 12/31/23)



Dividend Yields (Trailing 12-Months) (as of 3/31/24)



Left Chart Source: SL-Advisors. Consensus Analyst Estimate for the American Energy Independence Index. Cumulative change relative to 2022 level Free Cash Flow projected returns are consensus estimates that are derived from data collected by research analysts. This data is not adjusted by FactSet. FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in FactSets service constitutes investment advice or FactSet recommendations of any kind. Estimate data is provided for information purposes only. FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers. **Right Chart Source:** Factset. You can not invest in an index. Dividends are not guaranteed.

Speak with your financial advisor today about how to incorporate midstream energy into your portfolio using the Pacer American Energy Independence ETF (USAI).

For more information, visit www.paceretfs.com.

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The strategies discussed are for educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategy will be effective.

Capital Expenditures (CapEx): funds used by a company to acquire, upgrade, and maintain physical assets.

Distributable Cash Flow (DCF): the cash generated by the business operations before accounting for capital expenditures.

Dividend Yield: the company's annual dividend divided by its share price. Dividends are not guaranteed.

Free Cash Flow (FCF): A company's distributable cash flow minus capital expenditures.

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