Titan Capital Management

Fall 2022

PROFIT AND LOSS REPORT

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Sector: Energy

TITAN | CAPITAL MANAGEMENT

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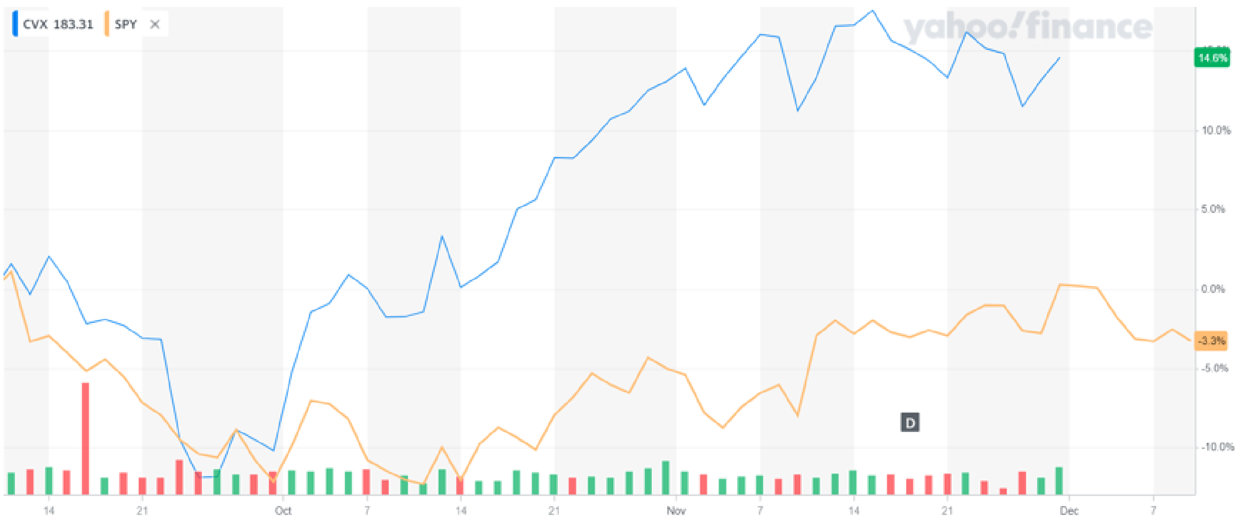
Company Name	Ticker or Cusip	Stock or Bond	^Performance Start Date	Buy or Sell?	Trade executed? (Y/N)	^Dividends Paid ($) or Coupon	Original Price	11/30 Price	Position Total Return	SPY/AGG Total Return	Excess Return	Position Success ?
Chevron	CVX	Stock	8/31/2022	Buy	Y	$1.42	$156.85	$183.31	17.77%	3.59%	14.19%	Yes
Ecopetrol SA	279158AL3	Bond	8/31/2022	Buy	Y	5.38%	$107.48	$93.25	-11.99%	-1.77%	-10.22%	No
Exxon Mobil	XOM	Stock	8/31/2022	Buy	Y	$0.91	$94.83	$104.42	11.07%	3.59%	7.49%	Yes
Exxon Mobil	30231GBJO	Bond	11/9/2022	Buy	Y	3.29%	$94.64	$97.14	3.51%	3.96%	-0.45%	Neutral
HollyFrontier	436106AA6	Bond	8/31/2022	Buy	Y	5.88%	$106.85	$99.24	-5.75%	-1.77%	-3.99%	No
MPLX LP	MPLX	Stock	11/1/2022	Buy	Y	$0.76	$34.63	$31.75	-6.12%	6.02%	-12.14%	No

Chevron (CVX)

Executive Summary as of 12/11/2022

Chevron Corporation (CVX) operates in the downstream and upstream production of crude oil and natural gas. The upstream segment consists of 71.6% of revenue and includes the exploration, development, production, and transportation of crude oil and natural gas. The downstream segment consists of 28.3% of revenue and is when crude oil is refined into petroleum products as well as the manufacturing and marketing of renewable fuels, and the transportation by pipeline, marine vessel, motor equipment, and rail car. The drivers for CVX success have been strong cash flow and operating efficiency. Chevron's total return is 17.77% which is an excess return of 14.19%.



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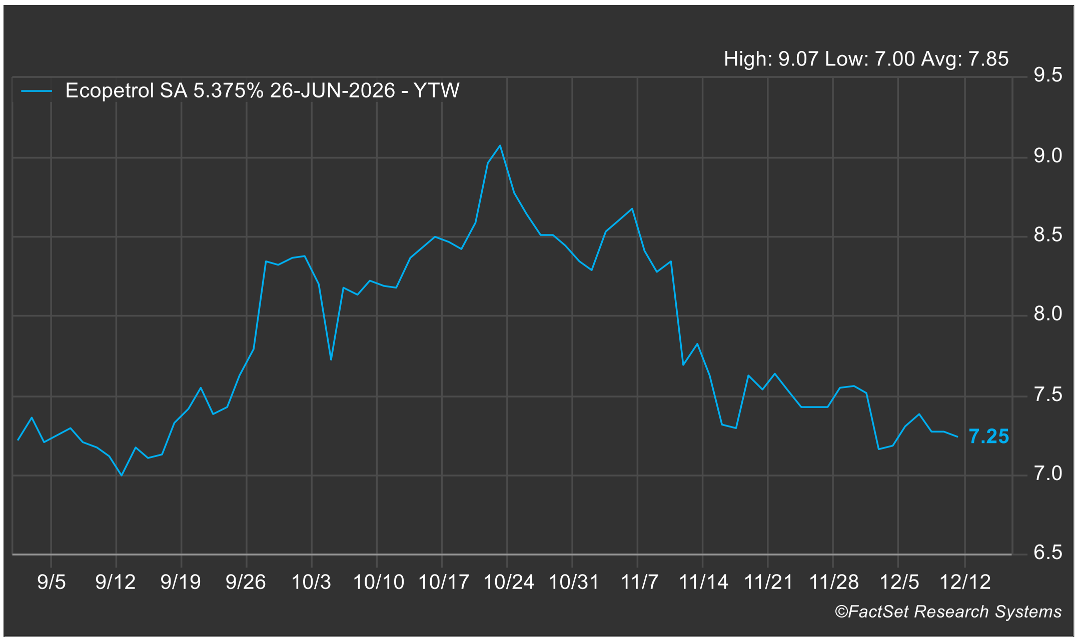
Chevron	CVX	Stock	8/31/2022	Buy	Y	$1.42	$156.85	$183.31	17.77%	3.59%	14.19%	Yes

The energy sector has been one of the only sectors to perform well in the last year. Due to the strong profitability and returns we recommend CVX as overweight. Chevron ranks 2nd in the market cap with $284.5B compared to Exxon Mobil, who has $360.8B. In the United States the Energy sector saw an increase in onshore rig count by 58% year over year as of June 2022. After a 30% decrease in CAPEX in North America were expected to grow 32.3% in 2022 after a minimal increase in 2021. Due to the Russia-Ukraine war, US sourced gas is expected to remain attractive to European buyers.

Ecopetrol SA (EC)

Executive Summary as of 12/11/2022

Ecopetrol SA is a vertically integrated oil company with operations in Latin America and the United States Gulf Coast. Based out of Colombia, the company explores, develops, and conducts production activities in various countries. Ecopetrol works as the primary operator or partner in a joint venture, in a host of assets held onshore and offshore. Along with production, the company refines and markets crude oils and byproducts produced from its fields. Crude products are moved by Ecopetrol through a series of pipelines throughout Colombia, along with a network of third-party production centers and facilities.



Ecopetrol SA's 2026 bond (279158AL3) is a BB+ high-yield corporate bond that the analyst recommended at the time to decrease the portfolio's weighted average duration from fears of potential rate hikes. In addition to increasing its yield-to-maturity. This high-risk move would be ill advised during volatile economic conditions in emerging markets. In addition to getting exposure to high yield, the bond was meant to increase exposure to the petrochemical industry while decreasing the idle cash within the portfolio. Tax changes in Colombia have recently regarded the oil industry as new laws have been passed, reducing the uncertainty surrounding the industry. Ecopetrol SA has been able to generate significate revenue, however it should be noted they also have significant debt (should be able to be managed). Total position returns have been a modest -11.99%. The bond was purchased at a premium ($112.97), and the Industrials team would place an underweight rating on it.

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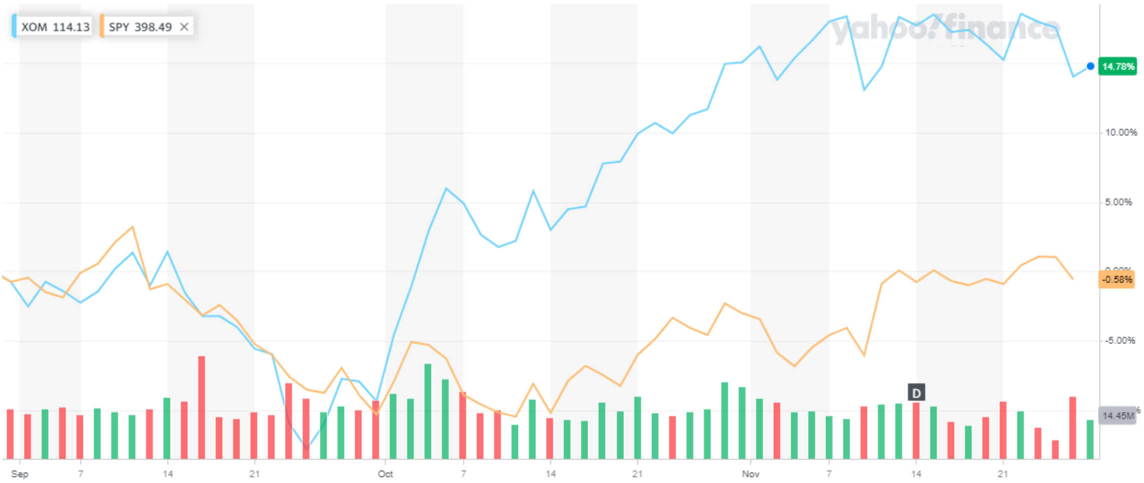
Ecopetrol SA	279158AL3	Energy	Bond	8/31/2022	Buy	Y	5.38%	$107.48	$93.25	-11.99%	-1.77%	-10.22%	No

Exxon Mobil (XOM)

Executive Summary as of 12/09/2022

A recommended BUY rating was placed on Exxon Mobil (XOM) in December 2019. Exxon is an oil, gas, and natural gas company. The recommendation was driven by 1) its continued success in meaningful onshore and offshore discoveries; 2) its low cost of production; and 3) its balanced, value-added integrated strategy. These drivers have continued to develop since the stock was added to the portfolio in 2019, and Exxon's market-leading position in all three of its businesses will support it into the future.



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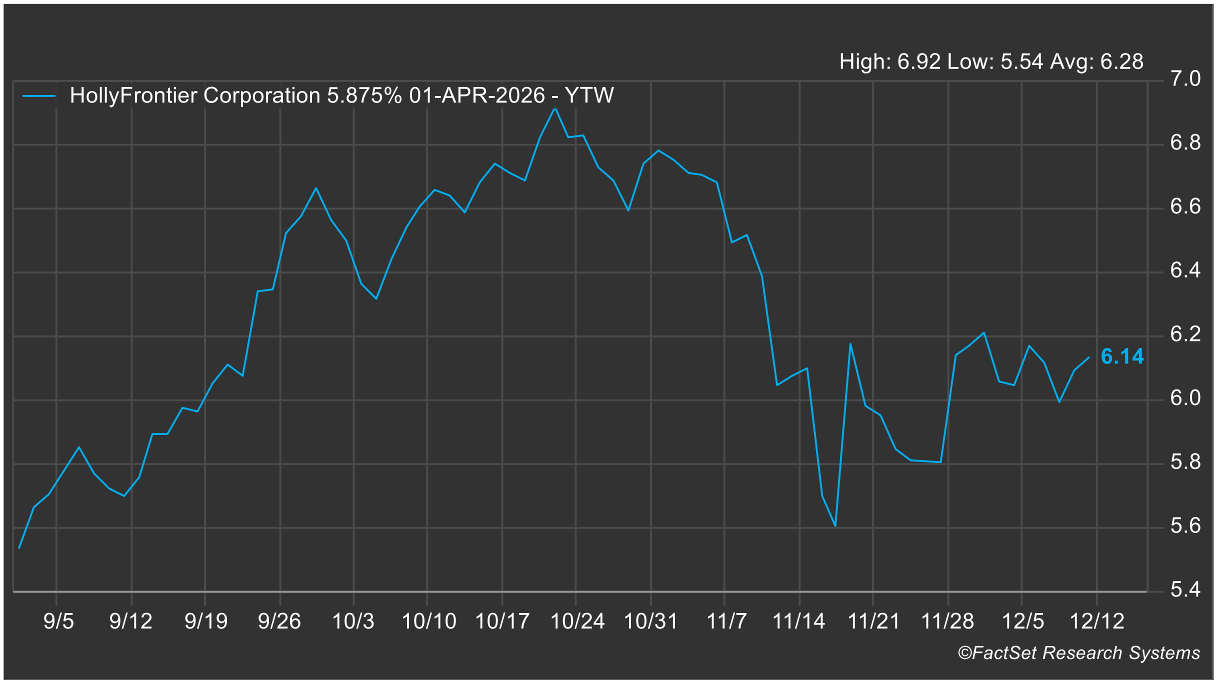
Exxon Mobil	XOM	Energy	Stock	8/31/2022	Buy	Y	$0.91	$94.83	$111.34	18.37%	3.59%	14.78%	Yes

Since the beginning of the semester, Exxon's stock has given a positive total return of 18.37%. Energy has been the best-performing sector of the S&P 500 in 2022, and Exxon Mobil has clearly benefitted. Macroeconomic events and geopolitical tensions have driven the price of oil up, which have led to strong revenues for Exxon. The company has bolstered its onshore and offshore activities year over year and taken advantage of supply constraints. Due to its scale and efficiency, it continues to maintain a low cost of production relative to peers and will remain profitable if oil prices begin to fall. Exxon is also in a favorable position if oil prices begin to decline. Therefore, we maintain our BUY rating for this stock.

HollyFrontier (HFC)

Executive Summary as of 12/11/2022

HF Sinclair is an integrated petroleum refiner that owns and operates seven refineries serving the Rockies, midcontinent, Southwest, and Pacific Northwest, with a total crude oil throughput capacity of 678,000 barrels per day. It is investing to produce 380 million gallons of renewable diesel annually. It holds a marketing business with over 300 distributors and 1,300 wholesale branded sites across 30 states. It also has a 47% ownership stake in Holly Energy Partners, which owns and operates petroleum product pipelines and terminals principally in the southwestern United States



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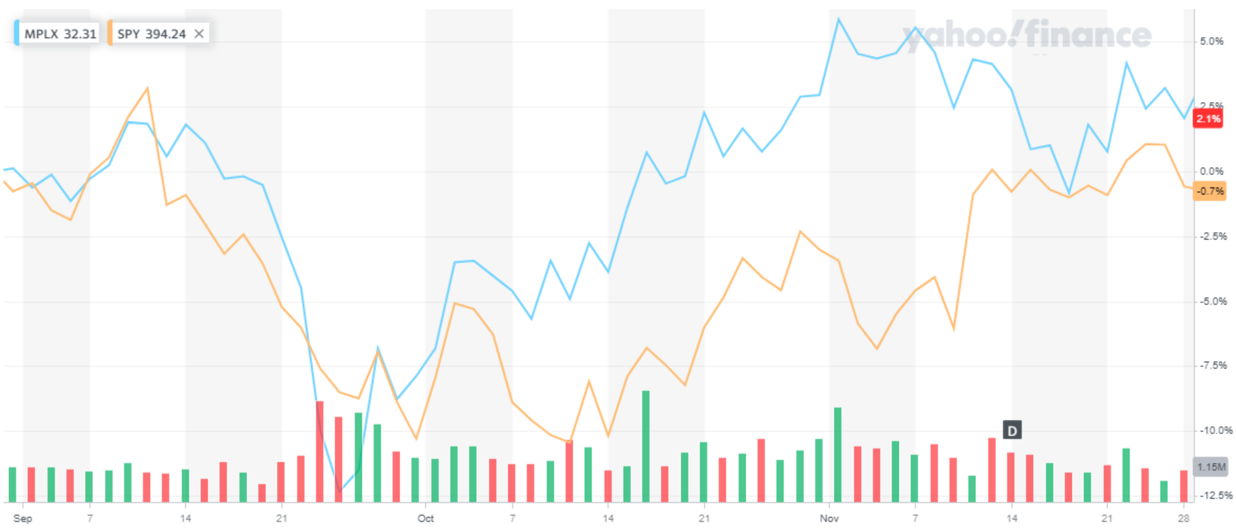
HollyFrontier	436106AA6	Energy	Bond	8/31/2022	Buy	Y	5.88%	$106.85	$99.24	-5.75%	-1.77%	-3.99%	No

Holly Frontier's (HF Sinclair) 2026 bond (436106AA6) is a BBB- investment grade corporate bond that the analyst recommended at the time to decrease the portfolio's weighted average duration from fears of potential rate hikes. In addition to increasing its yield-to-maturity. It was also meant to increase exposure to the oil and petroleum industry while decreasing the idle cash within the portfolio. Given the outlook for continued strong conditions, we expect strong earnings for HF to continue into 2023. Like Marathon Petroleum and Valero before them, HF management endorsed the idea of higher midcycle margin levels on a structurally short supply given refinery closures and market disruptions due to sanctions on Russian supply. Outside of recession-induced demand destruction, these factors should continue to support high margins in the near term at least for U.S. refiners that remain favorably competitively positioned. Total position returns were a modest -3.11%. The bond was purchased at a premium ($106.85), and the Industrials team would place an underweight rating on it.

MPLX LP (MPLX)

Executive Summary as of 12/09/2022

A recommended BUY rating was placed on MPLX LP (MPLX) in November 2022 to gain exposure to energy while mitigating oil price volatility. The recommendation was based on the following investment catalysts: 1) its stable revenues and recent contract renewals; 2) its convincing investment and expansion plan to meet demand; and 3) the inflation protection built into its contracts.



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MPLX LP	MPLX	Energy	Stock	11/1/2022	Buy	Y	$0.76	$34.63	$33.99	0.35%	6.02%	-5.68%	No

Since MPLX was added to the portfolio in November, it has remained relatively flat and lagged the benchmark with a total return of 0.35%. However, we still believe that MPLX is a strong position to hold. Its revenues are generated through long-term contracts, which ensure that its cash flows remain stable and predictable. The company is investing in existing facilities to improve capacity and expanding into promising new geographies. As inflation persists, the company's contracts contain inflation protection rules that mitigate the consequences of inflation. Overall, we maintain our BUY rating on MPLX and believe that it will outperform the market in the coming years.

Sector Outlook

The energy sector of the S&P 500 has been the best-performing sector in the market year-to-date and since the semester began. Our diversified position (Exxon) has made significant gains, and our midstream position is well-poised to capture upside in the coming year. The US Energy Information Association forecasts oil inventories to rise by 0.7mm barrels per day in 2023, marginally reducing the cost of oil per barrel; however, this will not cause a material effect to our holdings, as they are either diversified across upstream, midstream, and downstream activities or operate in areas that are less exposed to oil price fluctuations. The outlook for natural gas is promising; higher natural has demand and rising LNG exports can push Henry Hub spot price averages past $6.00 per million British thermal units in the first quarter of 2023, up from $5.50 per million British thermal units. Production is also expected to increase; specifically in the Permian Basin, pipeline demand is growing, and MPLX is already positioning itself to take advantage. 2022 has been an exceptional year for the energy sector; while record-breaking profits will not last forever, we are confident in its strength and believe that we are well positioned to capture upside. We therefore recommend to OVERWEIGHT the energy sector.