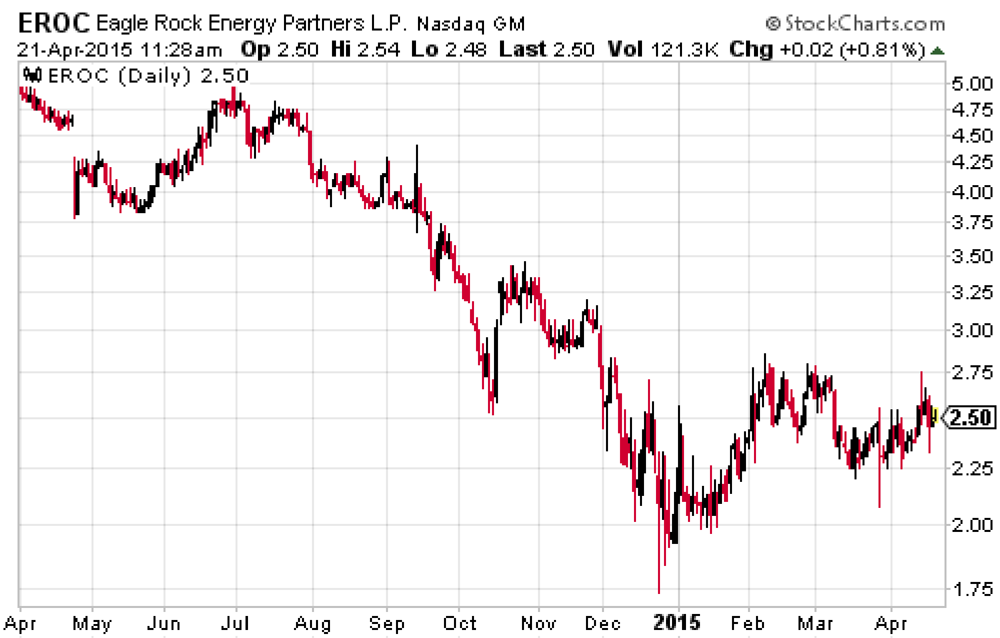
# Top Dividend & Income Trades for May 2015

A Special Research Report from **30 Day Dividends**

Investors Alley

## Trade 1: Eagle Rock Energy Partners LP (Nasdaq: EROC)

Through the end of 2013, Eagle Rock Energy had been a combination of energy upstream and midstream operations. The split personality business focus did not work out well and Eagle Rock was in serious financial trouble by the end of 2013. In December of that year, the company reached an agreement to sell its midstream operations to Regency Energy Partners LP (RGP), a larger, better run midstream MLP. It took half of 2014 for the company to restructure and commit to operate as a pure-play upstream energy partnership. After several quarters without paying a distribution, Eagle Rock restarted its distributions with a $0.07 per unit payout for the 2014 third quarter.




Upstream MLPs like Eagle Rock own and operate oil and natural gas producing properties. Revenues are generated from the sales of oil and gas produced. In the MLP space upstream MLPs primarily operate producing wells, so they can generate free cash flow to pay high distribution yields to investors. An upstream MLP will also use derivative contracts to hedge 70% to 80% of expected energy production to lock in cash flow and allow these companies to pay steady distributions.

With the big, 50% drop in the price of crude oil since last summer the stock markets have hammered the unit values of the upstream MLPs. Most unit prices in the sector are down 60% to 70% or more since late last summer. EROC is no exception, at one point down over 60% since it completed the sale of its midstream assets.

The danger for upstream MLPs, and the fears that have driven the market, are that with very low prices on any unhedged production amounts, cash flow to pay distributions will fall and distributions will be reduced. Eight out of the 12 upstream MLPs have already cut their payouts to investors by up to 50%. Part of the problem is that to fund growth, upstream MLPs use a combination of new equity sales and new debt. With falling revenues and very low unit prices, it will be very difficult for these companies raise growth investment capital to take advantage of low production asset prices and set themselves up for crude and natural gas price recoveries. This is not the case for Eagle Rock Energy Partners.

With the sale of its midstream assets, Eagle Rock was able to pay down most of its debt and also received 8.25 million RGP units. 3.3 million units have been sold, with the proceeds used to buy back about 5% of the outstanding EROC units and pay down debt. The remaining 5 million RGP units are worth about $125 million, which is 33% of Eagle Rocks total market cap. Or, put another way, net of the RGP units, EROC is a $250 million market cap MLP paying a 17% yield on that upstream business market value. The cash represented by the RGP units is dry powder that Eagle Rock can use to generate production growth through drilling or asset purchases. The company does not need to access the debt or equity markets for growth capital.

With clear visibility that the $0.28 annual distribution is safe, the EROC unit price could quickly move up back about $3.00.

The EROC closing price on January 28, when I sent out the buy recommendation email to current subscribers was $2.28 per unit. As I write this the current price is $2.75 and EROC is still a top trade for us going into Q2.

**Recommendation: the target price is $3.00 for a 9% gain from the current price. EROC remains a buy up to $2.75 per unit.**

## Trade 2: Tesoro Logistics LP (NYSE: TLLP)

Last fall, I initiated a position with **Tesoro Logistics LP (NYSE: TLLP)**. The market drop in mid-October combined with an equity issuance by TLLP pushed down the unit price, prompting the Buy recommendation. However, I had been watching Tesoro Logistics for an entry point as a longer term – 3 to 9 months – position to take advantage of a specific set up in the longer term price trends of TLLP.

Tesoro is a longer term play, with a big pay-off, and the stock price has been somewhat range bound. This means it's still a good time to initiate your own position in this stock.

Since its April 2011 spin off by **Tesoro Corp. (NYSE: TSO)**, Tesoro Logistics has racked up a top tier record of distribution growth. Steady 4%+ quarterly increases have produced 20% per year distribution growth and an average annual total return of 33%. Yet even though the distributions have increased in a fairly linear fashion, the TLLP unit price has not increased by the same steady rate. This chart highlights that fact.


Each of the three periods when the price moved up, the unit price gain was right at 50%. It had been almost four months since the last price peak and I was watching for the signs that the next leg up was about to start. The flat or down periods for the TLLP unit price have lasted from 5 to 7 months. With the recent decline in TLLP, first from the general MLP sell-off, then due to the equity issuance to fund a large acquisition, an early entry arrived to catch the next leg up. Before the selloff, TLLP was right at $70 per unit.

If Tesoro Logistics follows its historical pattern, the unit price should recover to above $90 by fall of 2015. That would be a 55% gain plus a couple of percent from the distributions that will be paid. My initial entry was to buy TLLP up to $58, and the unit price is still below that level.

**Recommendation: Buy TLLP up to $58, target price $90 or retain units as a long term growth holding.**

Dear Investor,

Thank you for reading through my new report with my top dividend and income trades for this April. It's my sincere hope that you'll find profits from these trades just like my current subscribers.

I'd like to share with you how my **30 Day Dividends** subscribers are dialing in a string of consistent winning trades month in and month out – all without taking on unnecessary risk from swing trading or tying up their money for years in really long term holdings.

What if I told you there's a way you can book annualized returns like 23.5%, 44% and 157.1% in as short as 30 days with dividend paying stocks?

And not only will you book higher-than-normal returns, you'll also collect profits before shareholders receive their regular dividend.

I call this opportunity "Primary Dividends," and I want to tell you about it today — even give you 3 new plays that my indicators tell me could be double digit gainers in very short order.

**Just click here for access to my short briefing and instructions on how to collect from your first 3 Primary Dividend opportunities**.

Best Regards,

Tim Plaehn
Editor
30 Day Dividends

P.S. I discovered Primary Dividend opportunities during my years as a certified financial planner and income stock analyst. They're based on two principles which all "rich" people use… click here to discover them.



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