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GREGORY ZUCKERMAN

Master Limited Partnerships Are One Way for Investors to Play the Boom in Oil and Natural-Gas Production in the U.S.

By GREGORY ZUCKERMAN

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QAre there ways to bet on rising energy production in the U.S.?

AJust a few years ago, the U.S. seemed destined to rely on imported energy. Today the U.S. produces so much oil and natural gas, soon it will be exporting supplies. Energy independence is in sight.

It has been hard to make money from the energy revolution, however. So much natural gas is being produced from shale and other rock formations, prices have fallen and some gas-focused companies have seen their shares tumble.

"Valuations for many energy producers levered to high-growth areas are getting extended, leaving a lower margin of safety," says Jon Drexel, an equity analyst at TIAA-CREF Trust Co. Says Mr. Drexel, "It is also becoming apparent that the most productive acreage has already been found."

Some say investors should focus on master limited partnerships, or MLPs, that build and operate pipelines and likely will benefit from owning investments linked to rising U.S. energy production.

Greg Reid, managing director of Salient Partners, notes that MLPs in the energy industry generally provide pipeline and other services that are contracted over several years for a fixed fee, providing a measure of stability.

"An average MLP yields approximately 6% and is currently growing its distribution at roughly 6% to 9% per year, which we think provides a good hedge against inflation, while still providing attractive current income," Mr. Reid says.

These MLPs may not have the same upside as companies searching for new energy deposits, though they're safer investments.

"Regardless of commodity prices, infrastructure is needed to transport the commodity and revenues will be relatively unaffected by changes in commodity prices," Mr. Drexel says. "Over time, pipelines have provided excellent shareholder returns through robust dividends, dividend growth and capital appreciation as well as relative stability during times of crisis."

J. Wesley Clayton, managing director and founder of Twickenham Wealth Advisors in Huntsville, Ala., says mutual funds and ETFs that hold energy MLPs are a good choice for investors who don't want the tax-filing complications of an MLP.

Scott Miller Jr. , a managing partner of Blue Bell Private Wealth Management LLC in Blue Bell, Pa., likes Petroleum and Resources Corp., a closed-end fund that sports a yield of more than of 7%, trades at an attractive price relative to its earnings and has been buying back shares.

Mr. Miller says that the largest energy ETF, Energy Select Sector SPDR, is dominated by oil companies with a hand in every stage of the business, from exploration to distribution, but some of which aren't leaders in shale oil and gas production. By contrast, he notes that iShares US Oil and Gas Exploration and Production "is not dominated by the large integrated oil companies."

Another wager on the U.S. energy renaissance can be shares of companies that will benefit as energy prices fall. Chemical companies, for example, rely heavily on natural gas and have seen their costs drop.

Q*Will the energy resurgence send the dollar higher?*

AIt likely will help the dollar, some analyst say, but by how much isn't clear.

Energy imports are tumbling, reducing the need to convert dollars into foreign currencies. Net oil imports are expected to account for about 30% of consumption in 2014, down from 60% in 2005. Moreover, in 2015 a rush of natural-gas exports is expected to begin, which also should help the dollar.

More changes are on the way. Exports of manufactured goods, such as petrochemicals, likely will grow as more companies build plants in the U.S.

Some even predict some exports of crude from the U.S.

The U.S. trade deficit finally is dropping. Net petroleum imports are down about 40% since 2005; some predict a drop of more than $200 billion a year over the next five or so years.

Analysts at Citigroup note that "the effect of current account imbalances on the U.S. dollar has been historically weak." But their calculations suggest that the dollar could rise more than 5%, after inflation, thanks to the impact of rising energy production and dropping energy imports.

The shift could "reverse a historical long-term decline in the U.S. dollar since the 2000s," a recent Citigroup research report says.

Investors wishing to bet on the U.S. dollar could buy a widely traded, liquid ETF such as PowerShares DB US Dollar Index Bullish, which aims to benefit if the dollar rises against a group of foreign currencies. The Rydex Strengthening Dollar 2x Strategy is a fund that makes a leveraged wager on the U.S. dollar. Leveraged ETFs are better for a short-term investment, rather than a long-term position.

But Macklin Pulsifer, chief investment officer of Fiduciary Trust Company International, says the national debt, Federal Reserve interest-rate decisions and other factors will have a huge impact on the dollar. As a result, he says, it's likely not wise to make bets on the dollar solely due to expected energy shifts.

Mr. Zuckerman is a reporter for The Wall Street Journal in New York and the author of "The Frackers: The Outrageous Inside Story of the New Billionaire Wildcatters." He can be reached at gregory.zuckerman@wsj.com. Follow him on Twitter at @GZuckerman.