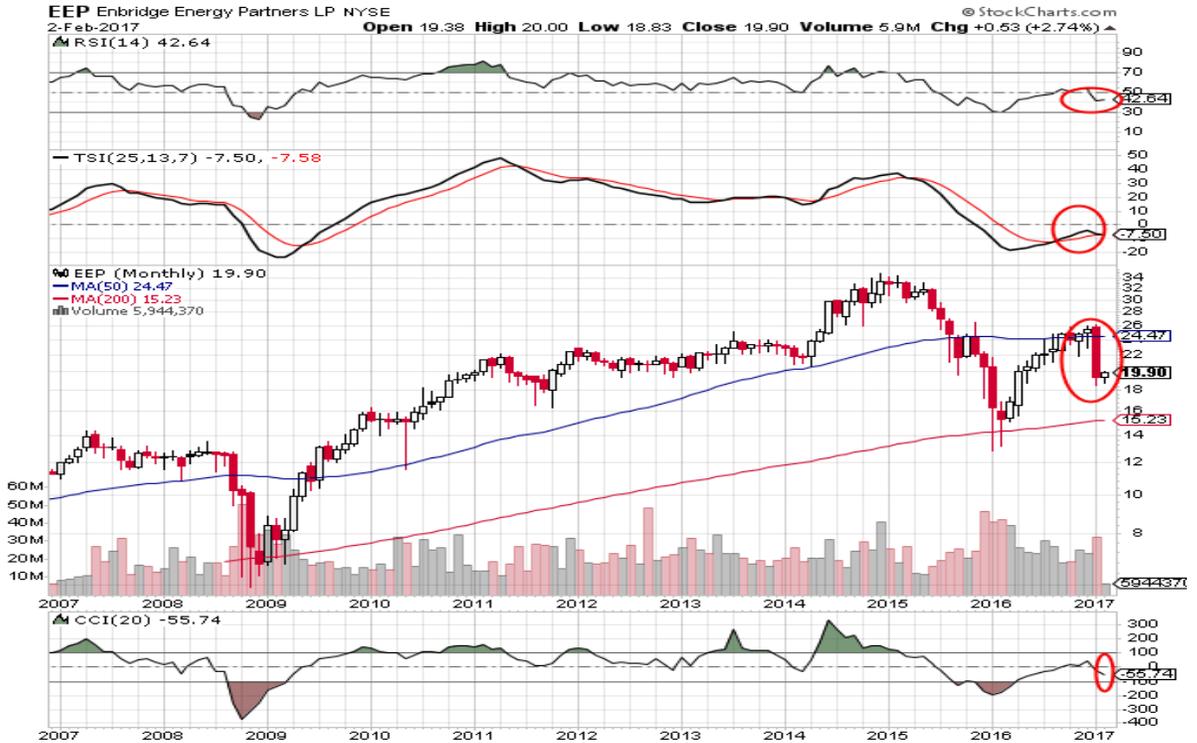
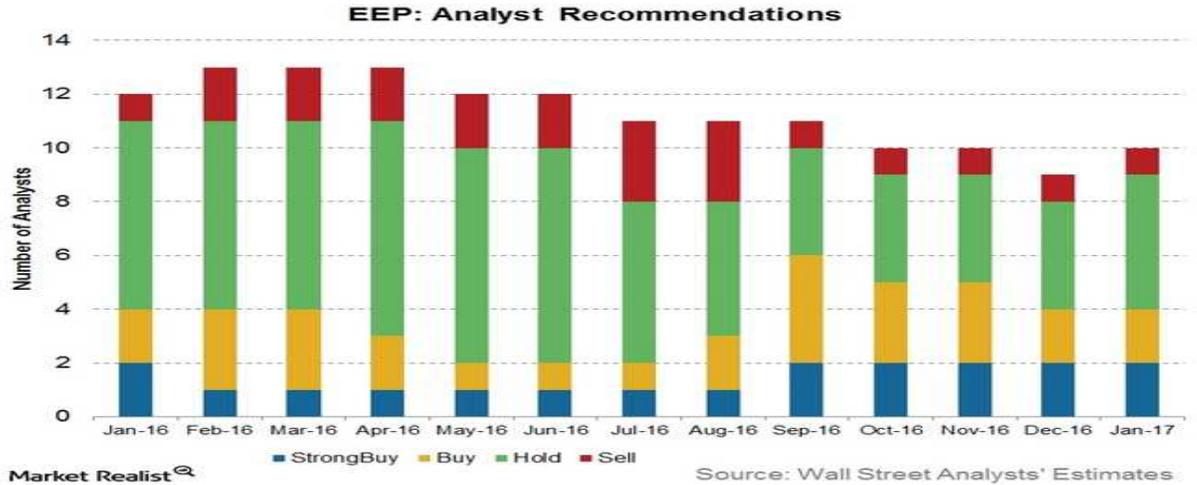


Starboard Weekly Report Ending February 3, 2017  
Chart and Graph of the Week



These are two completely different presentations for Enbridge Energy Partners (EEP). The top Wall Street Analysts' Estimates graph represents fundamental analysts' buy, sell or hold monthly recommendations. The bottom monthly chart is price activity for EEP and comes from StockCharts.com.

## **TECHNICAL**

We own this security along with its (non K1) twin Enbridge Energy Management (EEQ). It is interesting to focus on just the red sell recommendations at the top of the graph since they represent a great contrary indicator. As more analysts recommended selling EEP, the stock made a bottom. Conversely, January and December of 2016 showed the fewest sale recommendations; however, the stock followed with its biggest selloff. The key reason for displaying this analyst graph is the last line to the right. It is showing how strong the hold (green section) category is for EEP. We bought both EEP and EEQ in February 2016 near the low point around the 15 level. Over the next couple of months, we should start to see price improvement while continuing to enjoy the reduced dividend of around \$1.90 versus \$2.23 per quarter.

## **FUNDAMENTAL**

The reason for the drop in both partnership securities was less revenue due to lower natural gas prices. The primary issue is with Mid Coast Partners, an offshore natural gas gatherer. The CEO has announced that they are seeking “strategic alternatives” for these assets. Other transmission portions of their business continue to do well but until they can unload Mid Coast they will have a negative earnings cloud over them. At our cost ownership basis, we still have a 12.5% yield and I have confidence that management can solve their short term problems. Rather than let the decline scare us out of the stock, my decision is to hold with a watchful eye on managerial decisions.

## **ASIDE**

*“A good scare is worth more to a man than good advice.”* E. W. Howe, author and newspaper editor

I believe the recent scare that Enbridge management had will be the wakeup call they need to deal with the Mid Coast problem. Meantime, I believe that our generous cash dividends are secure.

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