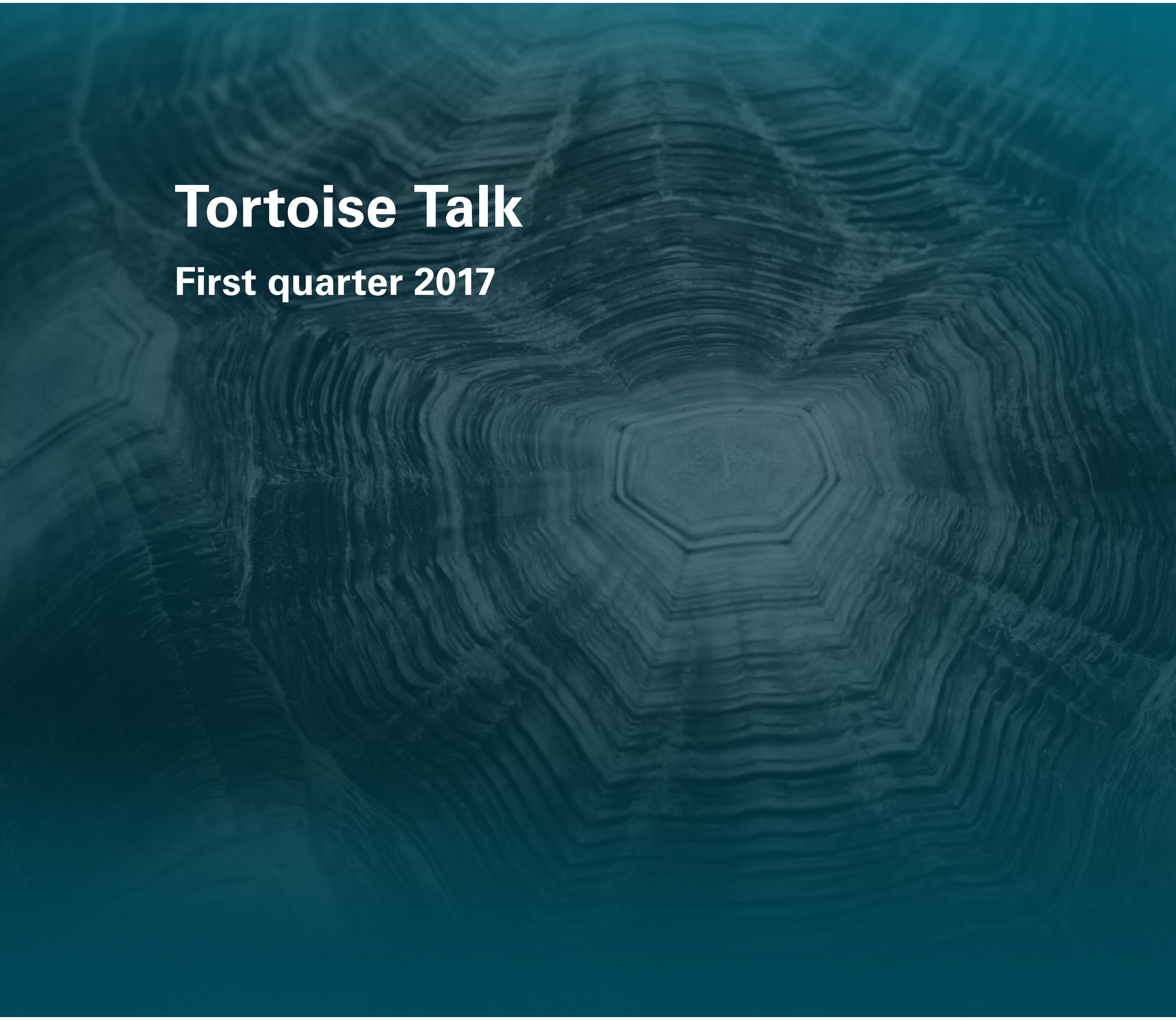
Tortoise

Tortoise Talk

First quarter 2017



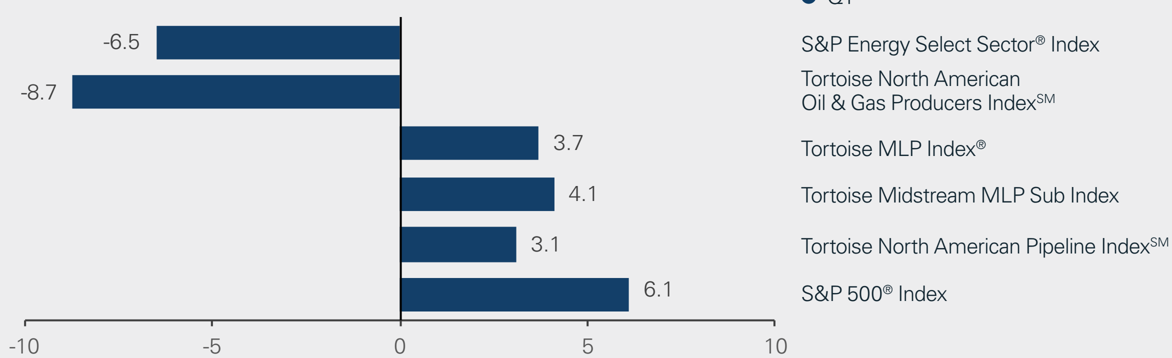
Tortoise[SM]

Tortoise Talk First Quarter 2017

Performance within the energy sector for the first quarter was mixed, with market sentiment for broad energy souring as indicated by the -6.5% return from the S&P Energy Select Sector® Index. Upstream producers and larger integrated energy companies retreated while midstream companies, including MLPs, experienced continued strength following executive orders easing pipeline regulations and increased producer activity. The U.S. continues to move toward energy independence and according to the Energy Information Administration, will likely become a net energy exporter by 2026.

The broader equity market, represented by the S&P 500® Index, had a strong quarter returning 6.1%. Fixed income performance was fairly flat with the Bloomberg Barclays U.S. Aggregate Bond Index returning 0.8% for the quarter. MLPs continued to outpace REITs, as represented by the FTSE NAREIT Equity REIT Index, but underperformed utilities, represented by the S&P Utilities Select Sector Index. Utilities performed well despite the potential for higher interest rates, perhaps in anticipation of less federal regulatory burden, although we expect state-specific regulations to remain largely unchanged. The average MLP yield declined slightly to 7.0%.

First quarter 2017 total returns (%)



1Q period reflects 12/31/2016 – 3/31/2017. Source: Bloomberg. It is not possible to invest directly in an index. Please see index definitions on disclaimer page. **Past performance is no guarantee of future results.**

Upstream

Crude oil

Upstream oil and gas producers, as represented by the Tortoise North American Oil and Gas Producers Index[SM], returned -8.7% in the first quarter. Even though Organization of Petroleum Exporting Countries' (OPEC's) compliance to its output agreement has been strong, the market did not respond as positively as expected. The focus now turns to the upcoming May OPEC meeting in which we expect the production cuts to be extended. We believe that high crude oil inventory levels in the U.S. and expected U.S. production growth following higher rig counts are leading to skepticism around the sustainability of higher prices. Heavy imports, coupled with lower refiner demand during maintenance season, led to sustained inventory builds in the U.S., although they appear to be decreasing globally. Change in global inventories between 4Q16 and 1Q17 indicates, in our view, a market on a path to rebalancing. U.S. crude oil production estimates continued to be revised higher, mainly due to the increase in rigs with greater efficiency, especially in the Permian and Eagle Ford Basins. As such, 2017 average production is now estimated at 9.2 million barrels per day (MMbbl/d) and 9.9 MMbbl/d for 2018, which would be the highest production level in U.S history.[1] We believe that more U.S. oil production will be needed to meet future global demand. In 32 of the last 33 years global energy consumption has increased, and we believe this trend will continue.[2]

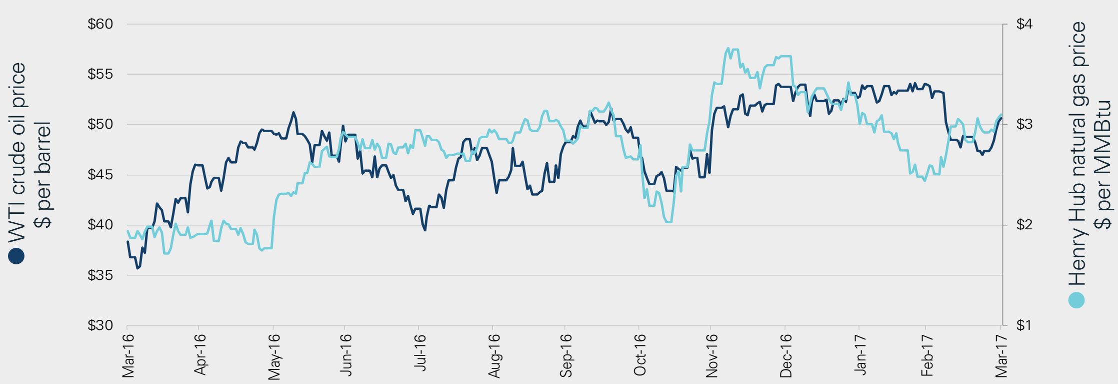
Throughout the first quarter, prices were more volatile as they fell below $50 on March 9. West Texas Intermediate (WTI) started the period at $53.72 per barrel, hitting a low for the quarter of $47.00 on March 23 before climbing back above $50 to end the quarter at $50.60.

Natural gas

Natural gas prices opened at the quarter's peak price of $3.68 per million British thermal units (MMBtu), steadily declined to a low of $2.44 and ended the quarter at $3.10. Warm winter weather throughout the country was a headwind for natural gas demand, though mitigated somewhat by increasing exports leading to lower inventory levels versus last year.[1] We anticipate more exports to Mexico, more industrial activity, and the continuation of coal to natural gas switching in the power generation sector to drive demand for gas. On this last point, note the shift from coal to natural gas and renewables to generate electricity is having a positive effect on the environment. Energy-related carbon dioxide emissions declined by 1.7% in 2016 and are projected to decrease by another 0.5% in 2017[1]. Liquefied natural gas (LNG) export should also drive gas demand as two LNG facilities came on-line and three more are expected this year.

Natural gas production is expected to average 73.1 billion cubic feet per day in 2017 and rise to an average of 77.1 billion cubic feet per day in 2018.[1] For natural gas liquids and particularly propane, prices improved following higher demand. The U.S. is now exporting more than a million barrels of propane per day,[1] which is part of the broader story of the U.S. longer-term shift from net energy importer to net energy exporter.

Crude oil & natural gas prices



As of 3/31/2017. Source: Bloomberg. Note: MMBtu = million British thermal units

Midstream

The midstream segment performed well over the first quarter compared to upstream and downstream. Pipeline companies structured as c-corps, represented by the Tortoise North American Pipeline Index℠ returned 3.1% for the first quarter. MLPs, represented by the Tortoise MLP Index® had similar performance, returning 3.7% for the same period. The simplification theme continued through the restructuring of incentive distribution rights (IDRs), leading to simplified capital structures, lower costs of capital and improved growth profiles.

The Trump administration is supportive of pipeline projects, which is part of the reason for an uptick in project announcements since the beginning of the year. The other is increased producer activity driving new gathering and processing, crude oil and natural gas pipelines especially in the Permian Basin. We're also seeing more projects in Oklahoma and the Haynesville shale regions. In addition, the first quarter was a good earnings season for pipeline companies. In our view, guidance for 2017 was constructive and new project announcements were healthy on the heels of the producer community outlining growth plans for the year. Our long-term outlook for the midstream sector is positive with our projection for capital investments in MLPs, pipeline and related organic projects from 2017 to 2019 remaining strong at approximately $110 billion.

Downstream

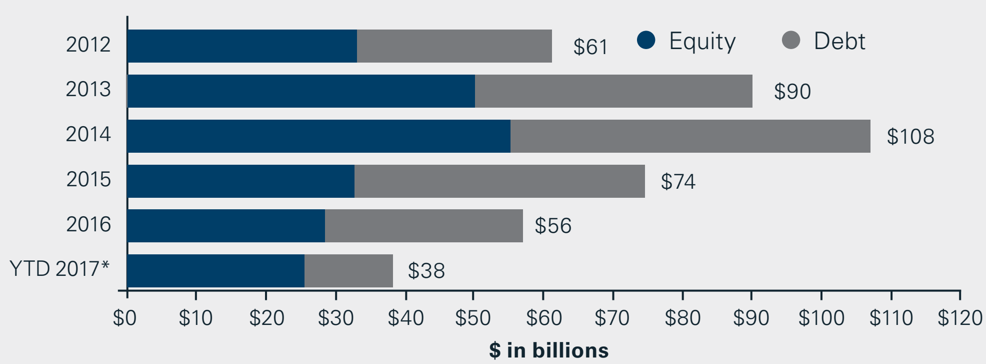
Refinery utilization was lower during the first quarter, as is typical during this timeframe due to the scheduled maintenance season as winter blends are replaced by summer. We expect utilization to rise as this season ends in the second quarter. For petrochemical companies, the long-anticipated wave of ethylene facilities starting to come into service during 2017 was a positive driver.

Renewables continued to play a larger part of the global energy landscape. The solar segment is expected to be the fastest growing on a percentage basis, likely increasing 44% over the next two years.[1] We believe that state-level mandates will remain in place regardless of Trump administration directives.

Capital markets

Capital markets remained active on both the equity and debt sides during the quarter. Though there were no midstream MLP initial public offerings during the quarter, MLPs and other pipeline companies raised approximately $38 billion, with the majority in equity offerings. Capital markets continued to be supportive of exploration and production companies though they have become less active as companies focus on spending within cash flow.

MLP and pipeline company debt & equity offerings

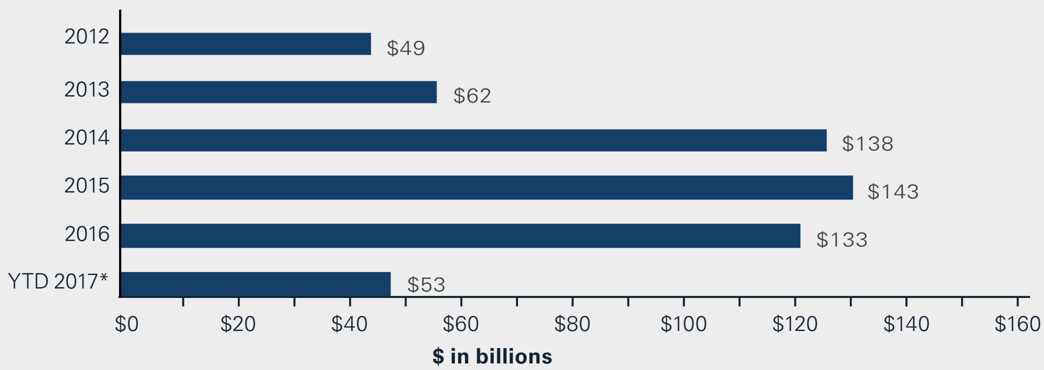


Source: Company filings. *Period reflects 12/31/2016 - 3/31/2017. Includes equity issued to sponsors.

Merger and acquisition activity

Merger and acquisition activity among MLPs and other pipeline companies totaled more than $50 billion. As an example of the midstream simplifications mentioned earlier, ONEOK, Inc. had the largest announced transaction of the quarter with the acquisition of its remaining public stake in ONEOK Partners, L.P., in a deal valued at about $17 billion.

Announced MLP and pipeline company acquisitions



Source: Company filings. *Period reflects 12/31/2016 - 3/31/2017.
Includes MLP and pipeline corporations, including those transactions between MLPs.

Regulatory corner

Dakota Access Pipeline (DAPL) Update

- Following the executive order signing in January, the U.S. Army Corps of Engineers followed in February with granting the easement allowing drilling to occur under Lake Oahe. By the end of the quarter, the project was near completion allowing crude oil to start flowing in April or early May.

Clean Power Plan (CPP) Update

- President Trump signed an executive order directing the EPA to begin rolling back pieces of the prior administration's CPP, which regulates emissions from power plants currently in operation. President Trump's order also asks for review of rules regulating new power plant carbon emissions, restrictions on methane emissions caused by oil & gas production, and environmental reviews on federal land leasing involving coal. We do not believe this will result in a coal comeback because coal remains at a price disadvantage to natural gas.

Concluding thoughts

Our outlook for energy sector fundamentals remains strong over the near and long term, though we expect to see some commodity price volatility throughout 2017. Our positive outlook for 2017 is driven by an expectation for robust demand growth from emerging markets while global crude oil supply growth remains muted due to the last two years of lower investment and constrained budgets. As we see the U.S. make the expected transition from net energy importer to net energy exporter over the next decade, we believe compelling investment opportunities across the energy value chain will continue.

[1] Energy Information Administration, April 2017

[2] BP 2016 Statistical Review

Disclaimer

This commentary contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although Tortoise Capital Advisors believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect, Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this publication. Tortoise Capital Advisors does not assume a duty to update these forward-looking statements. The views and opinions in this commentary are as of the date of publication and are subject to change. This material should not be relied upon as investment or tax advice and is not intended to predict or depict performance of any investment. This publication is provided for information only and shall not constitute an offer to sell or a solicitation of an offer to buy any securities.

The Tortoise MLP Index® is a float-adjusted, capitalization-weighted index of energy MLPs. The Tortoise Midstream MLP Sub Index is comprised of all constituents included in the following sub sector indices: Crude Oil Pipelines, Gathering & Processing, Natural Gas Pipelines, and Refined Products Pipelines. The Tortoise North American Pipeline Index℠ is a float-adjusted, capitalization-weighted index of pipeline companies (MLPs, corporations, LLCs) domiciled in the U.S. or Canada. The Tortoise North American Oil and Gas Producers Index℠ is a float-adjusted, capitalization weighted index of North American companies engaged primarily in the production of crude oil, condensate, natural gas or NGLs. The S&P 500® Index is a market-value weighted index of equity securities. The S&P Energy Select Sector® Index is a modified market capitalization-based index of S&P 500 companies in the energy sector involved in the development or production of energy products. The FTSE NAREIT All Equity REITs Index is an unmanaged, capitalization-weighted index of all U.S. equity real estate investment trusts. The S&P Utilities Select Sector Index® is a modified market-cap weighted index composed of constituents of the S&P 500® Index in the utilities sector. The Barclays US Aggregate Bond Index is an unmanaged index comprised of government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are over one year.

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It is not possible to invest directly in an index.

About Tortoise

Through its family of companies, Tortoise Investments provides investors access to differentiated active and passive investment solutions and market insights. Tortoise's business is rooted in more than a decade of leadership and expertise in both income and equity investing in energy and essential assets. Over time, Tortoise has enhanced and expanded its innovative product offerings, while staying true to its quality approach and focus. Tortoise Investments, through its family of registered investment advisers, had $21.3 billion assets under advisement as of March 31, 2017.

Tortoise℠