

# Tortoise Select Opportunity Fund

(TOPIX/TOPTX)



Tortoise Select Opportunity Fund (TOPIX/TOPTX/TOPCX) received a Four-Star Overall Morningstar Rating<sup>TM</sup> among 90 Equity Energy Funds based on risk-adjusted performance as of 12/31/2017.

## 4Q 2017 QUARTERLY COMMENTARY

### Investment strategy

The fund provides access to North American energy companies and their beneficiaries that Tortoise believes are, or will be, in a differentiated position to benefit from changing dynamics, catalysts and opportunities across the North American energy value chain that may occur over time.

### Process

Using a flexible strategy, Tortoise seeks to use its differentiated position and expertise within the energy sector to identify different opportunities across the North American energy value chain. Based on the prevailing market and economic conditions, Tortoise may shift the fund's proportional exposure to these opportunities over time.

**The energy sector ended 2017 on a high note with several tailwinds heading into 2018. Key drivers included a decline in global crude oil inventories, Organization of Petroleum Exporting Countries' (OPEC's) and Russia's extension of the agreement to curtail crude oil production through the end of 2018, U.S. producers' greater capital discipline and continued production growth in 2018, as well as the signing of tax reform legislation at the end of the year. The broad energy sector, as measured by the S&P Energy Select Sector<sup>®</sup> Index, returned 6.1% for the quarter, bringing the 2017 return almost flat to -0.9%.**

### Strategy update

This strategy's flexible mandate allows us to invest across the entire energy value chain to position the portfolio to take advantage of anticipated trends and position the portfolio away from themes that we believe are less opportunistic. We increased our allocation to the midstream segment during the quarter, predominantly to capitalize on necessary Marcellus infrastructure buildout. This lack of takeaway capacity drove record high natural gas prices in the northeast as frigid weather drove up demand.

We also continue to invest in the construction and operation of liquefied natural gas (LNG) export facilities, a theme that we have liked for some time and continue to support. We also increased exposure to petrochemical companies as they have experienced expanding margins and growing demand for their end products.

A new theme in the portfolio is lithium batteries. We believe that the demand for lithium batteries for electronic devices, vehicles and storage technologies will only increase in the future. During the quarter we sold oil and gas producers that have lower free cash flow ratios and lower debt adjusted production growth.

## Key quarterly asset performance drivers

Top five contributors	Company type	Performance driver
Continental Resources Inc.	Upstream liquids producer	Benefited from rising oil prices due to the extension of the OPEC production cut agreement through the end of 2018
Cheniere Energy, Inc.	Midstream natural gas/liquefied natural gas (LNG) pipeline company	Winter weather in Asia creating strong demand for LNG
Diamondback Energy, Inc.	Upstream liquids producer	Benefited from rising oil prices due to the extension of the OPEC production cut agreement through the end of 2018
EOG Resources, Inc.	Upstream liquids producer	Improving crude oil prices and enhanced well economics in the Permian Basin acreage
Marathon Petroleum Corporation	Downstream refiner	Corporate action to unlock midstream value

Bottom five contributors	Company type	Performance driver
EQT Corp.	Upstream natural gas producer	Acquisition of Rice Energy Inc. led to stock overhang
Rice Energy Inc.	Upstream natural gas producer	Acquired by EQT Corp. premium was largely realized in 2Q when deal was announced
Range Resources Corporation	Upstream natural gas producer	Lower than expected results in Terryville natural gas asset
Kinder Morgan, Inc	Midstream natural gas/natural gas liquids pipeline company	Regulatory uncertainty on TransMountain project
Halliburton Company	Oil field service provider	Challenging environment for oil field service operators to enhance margins

## Top 10 holdings (as of 12/31/2017)

1. EQT Corporation	6.6%
2. Cabot Oil & Gas Corporation	6.6%
3. EOG Resources, Inc.	6.4%
4. Cheniere Energy, Inc.	6.3%
5. The Williams Companies, Inc.	4.9%
6. Diamondback Energy, Inc.	4.2%
7. Targa Resources Corp.	4.0%
8. Westlake Chemical Partners LP	4.0%
9. ONEOK, Inc.	3.8%
10. Andeavor	3.6%

The fund will generally have the following allocations and characteristics:

Allocation type	Anticipated broad range
Midstream	0 - 50%
Upstream	0 - 50%
Refining	0 - 30%
Oilfield services	0 - 30%
Petrochemicals	0 - 30%
Power	0 - 10%
Rail/other	0 - 10%
Cash	0 - 5%

## Targeted portfolio characteristics

- 15 - 40 holdings across energy value chain
- Sector ranges will vary over time based on targeted catalyst and trend exposure
- Value chain segment and company specific exposure will fluctuate based on areas of highest conviction

## Portfolio as of 12/31/2017 (unaudited)

Oil and gas production	44%
Gathering and processing	15%
Natural gas pipelines	13%
Oilfield services	12%
Refining	9%
Petrochemicals	4%
Power	2%
Raw materials	1%

Fund holdings are subject to change and are not recommendations to buy or sell any security. Totals may not equal 100% due to rounding.

## Performance (as of 12/31/2017)

	Class	4Q 2017	1 year	3 year	Since inception <sup>1</sup>	Expense ratio	
						Gross	Net <sup>2</sup>
TOPIX	Institutional	7.51%	-5.14%	-0.02%	-0.46%	1.70%	1.10%
TOPTX	Investor (excluding load)	7.54%	-5.44%	-0.30%	-0.72%	1.95%	1.35%
TOPTX	Investor (maximum load)	1.38%	-10.90%	-2.24%	-2.09%	1.95%	1.35%
TOPCX	C Class (excluding CDSC)	7.27%	-6.16%	-1.04%	-1.44%	2.70%	2.10%
TOPCX	C Class (including CDSC)	6.27%	-7.09%	-1.04%	-1.44%	2.70%	2.10%
S&P 500 <sup>®</sup>	Index	6.64%	21.83%	11.41%	13.87%		
S&P Energy Select Sector <sup>®</sup>	Index	6.13%	-0.86%	-0.09%	-0.50%		

Note: For periods over one year, performance reflected is for the average annual returns

<sup>1</sup>Period from fund inception through 12/31/2017. The fund commenced operations on 9/30/2013.

<sup>2</sup>Tortoise Capital Advisors, L.L.C. (the "Adviser") has contractually agreed to reimburse the fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, acquired fund fees and expenses, brokerage commissions, leverage/borrowing interest, interest expense, taxes and extraordinary expenses) do not exceed 1.10% of the average daily net assets of the fund. Expenses reimbursed by the Adviser may be recouped by the Adviser for a period of 36 months following the date on which such reimbursement was made if such recoupment can be achieved without exceeding the expense limit in effect at the time the expense reimbursement occurred and at the time of the recoupment. The Operating Expenses Limitation Agreement will be in effect and cannot be terminated through at least 3/31/2018. Net expense ratios are as of the most recent prospectus and were applicable to investors.

**Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-TCA-Fund (855-822-3863).**

**Performance data shown reflecting the Investor Class (maximum load) reflects a sales charge of 5.75%. Performance data shown "excluding load" does not reflect the deduction of the maximum sales load. Performance data shown for the C Class (including CDSC) reflects a contingent deferred sales charge ("CDSC") of 1% for the first 12 months of investment. Performance data shown "excluding CDSC" does not reflect the deduction of the CDSC. If reflected, the load and the CDSC would reduce the performance quoted. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.**

## Disclosures

**The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the fund and may be obtained by calling 855-TCA-FUND (855-822-3863) or visiting [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com). Read it carefully before investing.**

**Mutual fund investing involves risk. Principal loss is possible. The fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund. Investing in specific sectors such as energy may involve greater risk and volatility than less concentrated investments. Risks include, but are not limited to, risks associated with the North American energy companies, including upstream energy companies, midstream energy companies, downstream energy companies, energy company beneficiaries, commodity price volatility risk, supply and demand risk, reserve and depletion risk, operations risk, regulatory risk, environmental risk, terrorism risk, natural disasters and climate change risks. The adviser does not anticipate that the fund will significantly invest in MLPs in all circumstances and market conditions, and may not be invested in MLPs at all. However, the fund may invest up to 25% of its total assets in MLPs. The tax benefits received by an investor investing in the fund differs from that of a direct investment in an MLP by an investor. The value of the fund's investment in an MLP will depend largely on the MLP's treatment as a partnership for U.S. federal income tax purposes. If the MLP is deemed to be a corporation then its income would be subject to federal taxation, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. Investments in foreign companies involve risk not ordinarily associated with investments in securities and instruments of U.S. issuers, including risks related to political, social and economic developments abroad, differences between U.S. and foreign regulatory and accounting requirements, tax risk and market practices, as well as fluctuations in foreign currencies. The fund invests in small and mid-cap companies, which**

**involve additional risks such as limited liquidity and greater volatility than larger companies. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher rated securities. The fund may also invest in derivatives including options, futures and swap agreements, which can be highly volatile, illiquid and difficult to value, and changes in the value of a derivative held by the fund may not correlate with the underlying instrument or the fund's other investments and can include additional risks such as liquidity risk, leverage risk and counterparty risk that are possibly greater than risks associated with investing directly in the underlying investments. The fund may engage in short sales and in doing so is subject to the risk that it may not always be able to borrow a security, or to close out a short position at a particular time or at an acceptable price.**

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To obtain current performance information, including the negative three-year performance, visit [mutualfunds.tortoiseadvisors.com/toptx/performance](http://mutualfunds.tortoiseadvisors.com/toptx/performance). The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds and separate accounts) with at least a three-year history without adjustment for sales load. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36 - 59 months of total returns, 60% five-year rating/40% three-year rating for 60 - 119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. As of 12/31/2017, TOPIX/TOPTX/TOPCX were rated against 90 Equity Energy Funds over the three-year period. TOPIX/TOPTX/TOPCX each received four stars for that period. Past performance is no guarantee of future results.

Diversification does not assure a profit nor protect against loss in a declining market. Free cash flow is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures.

The S&P 500® Index is an unmanaged market-value weighted index of stocks, which is widely regarded as the standard for measuring large-cap U.S. stock market performance. The S&P Energy Select Sector® Index is a modified market capitalization-based index of S&P 500® companies in the energy sector that develop and produce crude oil and natural gas and provide drilling and other energy related services. Returns include reinvested dividends. It is not possible to invest directly in an index.

Nothing contained on this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation.

Tortoise Capital Advisors, L.L.C., Advisor

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For additional information, please call 855-TCA-FUND (855-822-3863) or visit [www.tortoiseadvisors.com](http://www.tortoiseadvisors.com).