

# High Yield Private Wealth Strategy

1st quarter 2019

Our High Yield philosophy incorporates the use of higher quality tiers of the High Yield universe (BB and B) in an effort to maximize total returns during normal economic periods, but minimize loss of principal during periods of rapid credit deterioration. Within this framework, the average credit quality is shifted according to our assessment of the present state of the economic cycle. We endeavor to enhance returns in favorable economic environments when credit conditions are improving and protect principal by adopting a more defensive average credit quality when the economic cycle is deteriorating.

## Highlights

### People

**The highly experienced senior investment team averages 31 years of investment experience**

- Supported by seasoned sector specialists and in-house credit analysts
- Fixed income investing since 1984
- Team members have managed fixed income assets through multiple economic and financial cycles

### Philosophy

**Our philosophy has remained consistent since inception**

- The same investment philosophy has produced sound results since the company was founded
- Our emphasis on liquidity enables us to position portfolios in anticipation of market cycles
- Our conservative philosophy has shown resiliency in times of market stress

### Process

**Our top-down, bottom-up, repeatable investment process has been refined over decades of market and economic cycles**

- Top-down, team-based process sets portfolio parameters and targets relative value and market inefficiencies
- Portfolio managers develop industry strategy based on top-down economic and business cycle trends and credit analyst assessments
- Excess return targeted by actively managing the drivers of performance, primarily duration/yield curve, sector/industry rotation, credit selection and non-index sectors, against the benchmark

### Performance

**Long-term performance goal**

- To produce competitive risk-adjusted returns exceeding the benchmark over multiple market cycles, primarily through security selection and sector/industry rotation
- Successfully navigated volatile markets, including 2008, 2014 - 2016 and 2018

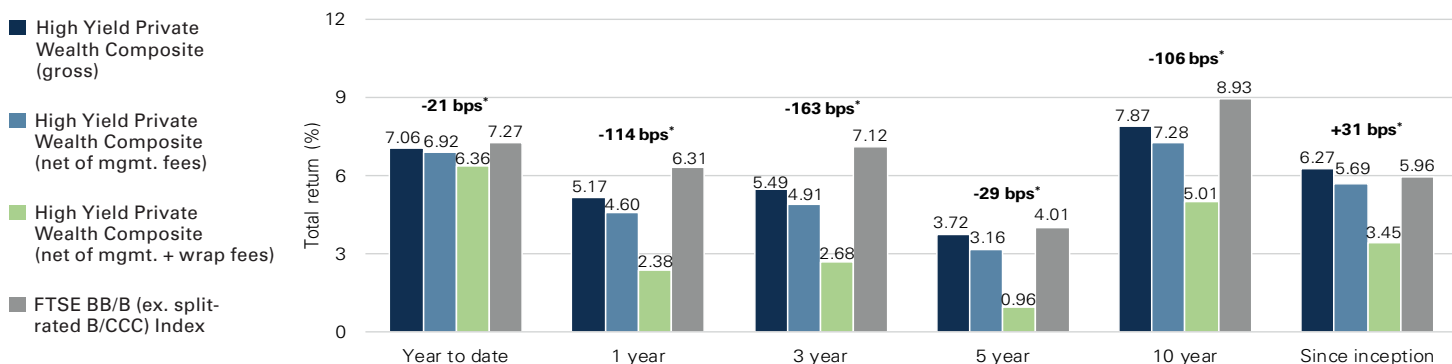
## Investment philosophy

We focus on diversification and risk management over all aspects of the investment process. Portfolios are positioned by taking a 6 to 12 month view of the economic and market cycle. Our size and focus on liquid securities helps us rotate sector weightings in a timely manner with minimal transaction costs.

## About Tortoise

Tortoise invests in essential assets – those assets and services that are indispensable to the economy and society. With a steady wins approach and a long-term perspective, Tortoise strives to make a positive impact on clients and communities. The Tortoise credit platform builds upon more than 30 years of experience in fixed income investing.

## Performance (%) as of 3/31/2019



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
High Yield Private Wealth Composite (gross)	-12.23	29.38	11.88	6.64	11.63	5.96	2.27	0.42	10.11	5.58	-3.22
High Yield Private Wealth Composite (net of mgmt. fees)	-12.71	28.68	11.27	6.06	11.02	5.38	1.71	-0.14	9.51	5.01	-3.75
High Yield Private Wealth Composite (net of mgmt. + wrap fees)	-14.60	26.00	8.92	3.81	8.68	3.15	-0.46	-2.26	7.20	2.81	-5.81
FTSE BB/B (ex. split-rated B/CCC) Index	-22.97	36.46	13.36	6.83	13.99	5.51	2.84	-3.82	13.10	6.42	-1.93

Inception: 1/1/2008. Returns less than one year are not annualized. Performance numbers labeled as "gross" do not reflect the deduction of management or wrap fees. Net of fee returns are calculated using a model fee, which represents a fee at least as large as the highest separately managed account fee rate and highest sponsor wrap fee rate, respectively, applicable to any individual composite constituent for the period shown. Model fee rates represent a fee at least as large as the highest fee rate in effect for the period shown, not taking into account minimum fee amounts expressed as a dollar amount. Accounts that fall below minimum account requirements or are otherwise subject to a minimum dollar-based fee may be subject to a higher fee when expressed as a percentage of the portfolio. For returns shown net of management fees, gross returns have been reduced by a fee at an annual rate of 0.55% of average net assets, assessed and compounded monthly. For returns shown net of management and wrap fees, gross returns have been reduced by a fee at an annual rate of 2.70%, assessed and compounded monthly. Actual fees may vary depending upon, among other factors, the applicable fee schedule for the wrap program in which a composite constituent is enrolled. In June 2016, accounts previously managed by Bradford & Marzec transitioned to Tortoise Credit Strategies and are linked to the performance of Tortoise Credit Strategies. The historical composite performance records of these accounts meet the portability requirements set forth by GIPS®. Index returns do not reflect the effect of management or wrap fees. Returns are presented in U.S. dollars. It is not possible to invest directly in an index. Please review the disclosure statements located on the back of this fact sheet. \*Data above chart is composite (gross of fees) vs. benchmark.

**Past performance is no guarantee of future results.**

**Portfolio team****Chief Investment Officer**

Brad Beman, CFA

**Private Wealth Credit**Christian Bleszinski, CFA  
Gordon Drobny**Investment Grade Credit**Gregory Haendel, CFA  
Jason Sharpe, CFA**High Yield and Leveraged Loans**John Heitkemper, CFA  
Beth Digati**International Credit**

N. Graham Allen, FCMA®, CGMA®

**Securitized**Jeffrey Brothers, CFA  
Michael Sanchez**Top five industry allocation** as of 3/31/2019

	High Yield Private Wealth strategy*	FTSE BB/B (ex. split-rated B/CCC) Index
Energy	12.2%	11.8%
Metals and mining	10.6%	4.0%
Financial-other	8.6%	5.1%
Healthcare	7.2%	6.1%
Technology	7.1%	6.5%

**Rating allocation** as of 3/31/2019

	High Yield Private Wealth strategy*	FTSE BB/B (ex. split-rated B/CCC) Index
BBB	9.9%	0.4%
BB	57.7%	51.2%
B	29.4%	47.9%
CCC and below	0.0%	0.5%
Cash/equivalent	3.0%	0.0%

Bond quality ratings reflect the middle rating assigned by S&P, Moody's and Fitch. In instances where a rating is unavailable from all three agencies, the lowest rating assigned by any one of these agencies is used. Should this process result in the selection of a rating issued by an agency other than S&P, the rating is converted to the S&P equivalent.

**Additional disclosures:**

Due to rounding, totals may not equal 100%.

\*Strategy characteristics reflect a representative portfolio. The portfolio selected is the largest account currently invested in the specified private wealth strategy denoted that has been under management for at least 30 days, adheres to the standard guideline set for the strategy and has not had significant cash flows during the period.

The High Yield Private Wealth Composite includes all discretionary private wealth and wrap fee accounts without maturity restrictions that are invested primarily in High Yield fixed income securities. All accounts in the High Yield Private Wealth Composite are managed to a model portfolio. All accounts meeting these criteria, regardless of size, are included in the composite. The High Yield Private Wealth Composite has an inception and creation date of 1/1/2008. On 6/20/2016, the composite name changed from SMA High Yield Composite to High Yield Private Wealth Composite. The applicable benchmark for this composite is the FTSE BB/B (excluding split-rated B/CCC) Index, a U.S. dollar-denominated index, which measures the performance of High Yield debt issued by corporations domiciled in the U.S. or Canada. Recognized as a broad measure of the North American High Yield market, the index includes cash-pay, deferred-interest securities and debt issued under Rule 144A in unregistered form. It excludes split-rated B/CCC securities. Diversification does not assure a profit nor protect against loss in a declining market. All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. Investing in the bond market is subject to risks, including, but not limited to, market, interest rate, issuer, credit, inflation and liquidity risks. A discussion of material risks may be found in our Form ADV Part 2A. Tortoise Credit Strategies, LLC ("Tortoise Credit") is a registered investment advisor focused on fixed income related strategies that manages investments for institutional and individual clients. Tortoise Credit claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of composite descriptions and GIPS compliant presentations is available upon request by emailing [clientservice@tortoisecredit.com](mailto:clientservice@tortoisecredit.com).

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**Portfolio construction and investment process**

Investment Policy & Strategy Committee (IPSC) guides the strategy's portfolio construction process, leveraging the top-down approach set by the IPSC and the bottom-up analysis of sector specialist teams. The process emphasizes proactive monitoring procedures to identify risk and adds risk controls to seek to minimize volatility. The private wealth portfolio manager reviews, constructs, monitors and adjusts the private wealth strategy based on private wealth considerations.

**Top-down strategy**

- Sector allocation
- Portfolio quality
- Duration
- Yield curve positioning
- Key themes

**Sector specialist teams perform:**

- Fundamental analysis
- Industry allocation
- Security selection
- Risk monitoring

**Bottom-up strategy****Characteristics** as of 3/31/2019

	High Yield Private Wealth strategy*	FTSE BB/B (ex. split-rated B/CCC) Index
Average quality	BB-	BB-
Average coupon	5.24%	6.00%
Duration	3.33	3.74
Yield to maturity	5.20%	5.91%
Current yield	5.21%	5.97%

**Risk/reward statistics<sup>1</sup>** as of 3/31/2019

Alpha	1.19%
Beta	0.82
Tracking error	2.45%
Information ratio	0.13

**Up/down market capture<sup>1</sup>** as of 3/31/2019

Up market capture	89.52%
Down market capture	77.15%

<sup>1</sup>Source: Morningstar Direct since inception (1/1/2008)